BALANCE OF PAYMENTS REPORT

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BANKA QENDRORE E REPUBLIKËS SË KOSOVËS

CENTRALNA BANKA REPUBLIKE KOSOVA

CENTRAL BANK OF THE REPUBLIC OF KOSOVO

Balance of Payments Report

Number 12

ABBREVIATIONS

ALL	Albanian Lek
CBK	Central Bank of the Republic of Kosovo
CEFTA	Central Europe Free Trade Agreement
CHF	Swiss Frank
CPI	Consumer Price Index
ECB	European Central Bank
EU	European Union
EULEX	European Union Rule of Law Mission
FDI	Foreign Direct Investments
GBP	Great Britain Pound
GDP	Growth Domestic Product
HRK	Croatin Kuna
IMF	International Mometary Fund
IPI	Import Price Index
KFOR	NATO-led Kosovo Force
MKD	Macedonian Denar
PPI	Producer Price Index
REER	Real Effective Exchange Rate
RSD	Serbian Dinar
SAK	Statistical Agency of Kosovo
SEE	Southeastern Europe

CONVENTIONS:

" —— "	event does not exist
" . "	event exists, data are not available
" … "	nil or negligible
(e)	estimate
(p)	preliminary
(r)	revised

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1. Foreword

Kosovo's economy in 2012 continued with positive growth rate. According to estimates of the CBK, the real economic growth rate in the country reached 2.9 percent, oriented by the component of consumption and improved external position in the trade of goods and services. Positive economic growth in 2012 is also supported by stable fiscal position. Private investments on the other hand were characterized by slower progress, being impacted by the decline in the foreign direct investments. With regard to investments, they continued with positive developments enabled by the stability of government revenues and expenditures, especially by the capital. Among the key supporters of economic growth through financing the households and businesses continues to be the financial sector. The banking system as a key component of the financial sector, showed good performance and a growth of the key indicators, however this year banks were more coutious in lending as a reflection of the risks that can come from the external environment and increased non-performing loans. It is worth mentioning that the financing to the agricultural sector was increased by banks as well as by the public institutions, indicating an expansion of the economic activity.

Balance of Payments in Kosovo continues to be characterized by a current account deficit and positive position in the capital and financial account. The current account deficit in Kosovo during 2012 decreased significantly, reaching euro 379.4 million which in comparison to 2011 represents a decrease of 42.4 percent. As a percentage to GDP, the current account deficit in 2012 was the lowest in the recent years, reaching 7.7 percent of GDP. The decline in imports is considered to be the factor which prevented the current account deficit from further deepening whereas the positive position within services exports during 2012 contributed to the deficit reduction. Also the category of income and current transfers had an impact on reducing the current account deficit. Remittances as one of the most important components of the balance of payments (about 14 percent of GDP) in 2012 showed countercyclical behavior in comparison with other indicators, thus continuing to finance consumption in the country and to support general economic activity.

Capital and financial account continues to be characterized by positive balance, but in 2012 this position was significantly lower compared to previous years. The balance of the capital and financial account in 2012 amounted to euro 140.1 million representing a decrease of 66.6 percent. Due to the decline of grants for capital investments, the balance of capital account declined to euro 13.0 million, compared with euro 42.0 million as it was in 2011. However, the main contributor within the financial account continues to be the category of foreign direct investments which despite the decline, is considered as the key component in financing the current account. Also the category of other investments is one of the main financing components, while a negative impact on the financial account balance continues to have the ongoing increase of investments portfolio and reserve assets outside of the Kosovo's economy.

CBK views for 2013 are more optimistic than the developments in 2012. These views are built on expectations for expansion in exports component as a result of improved external demand for Kosovo's products and improvements of the base metal prices. Also expectations for foreign direct investments are quite optimistic, especially when considering resumption of privatization for socially owned enterprises.

As in the previous reports, this edition also addresses two specific topics which are closely related to the performance of the balance of payments. One topic discusses the determinants of FDI in SEE countries on the level of macroeconomic terms, while second one discusses the latest developments in the context of trade finance as a very important instrument in support of commercial activity on the global level.

2. Developments in the World Economy, Eurozone and Southeastern Europe

Developments in the world economy show a slowing pace of growth in 2012. The recovery of the world economy continued to be conditioned by the problems associated with the debt crisis of many senior public eurozone countries, while the U.S. economy had a better performance in 2012 than in the previous year.

It was mainly the weakening of domestic demand, which along with the decline in exports affected the economic growth in the eurozone. Similar trends were in the performance of developing countries, where besides exports also the domestic demand recorded a decline, driven by the decrease in private consumption and fiscal austerity policies. Perceived risk on developments in the eurozone and beyond has resulted in lower investments in developing countries. These developments have further increased the uncertainty over developments in the world economy. According to the forecasts of the International Monetary Fund (IMF), the world economy grew by around 3.3 percent in 2012 (3.8 percent in 2011). The economic decline that characterized most of the eurozone economy was reflected in the eurozone, where each quarter recorded an economic decline. In 2012, the eurozone was characterized with an annual GDP decline of 0.6 percent (Figure 1).

Figure 1. Real GDP gorwth, in percent

Source: IMF (2013)

SEE countries in 2012 were faced with shrinkage of domestic demand, which together with the negative contribution of net exports, the decline in Foreign Direct Investments (FDI) and remittances affected the economic growth in Southeastern Europe (SEE). Also, fiscal austerity policies and the decline in credit in the SEE economies have not supported the economic growth, thus influencing the SEE region in 2012 to report a GDP growth of around 0.5 percent (2.4 percent in the previous year). While all countries in the SEE region marked a slowdown in economic growth compared to 2011, Croatia and Serbia marked an economic decline of 1.1 and 0.5 percent, respectively, in 2012. The slowdown of economic growth during 2012 and unemployment increase have had an impact on the decline in inflationary pressures in the global level. In 2012, global inflation was 4.0 percent (4.9 percent in 2011). Since 2010, the eurozone has been characterized by an increase in inflationary pressures mainly due to higher energy prices and indirect taxes. During 2012, the inflation rate declined to 2.5 percent from 2.7 percent as it was in 2011, mainly due to the decline in oil prices which reflected the decline in energy prices and manufacturing. Regarding the countries of the SEE region, the average inflation rate reached 4.2 percent in 2012, when Serbia was the only country that reported double-digit inflation rate. Trends in the inflation rate during 2012 were generally
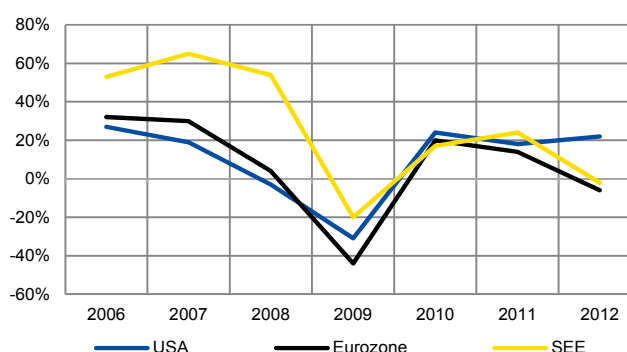
Figure 2. Annual inflation, in percent
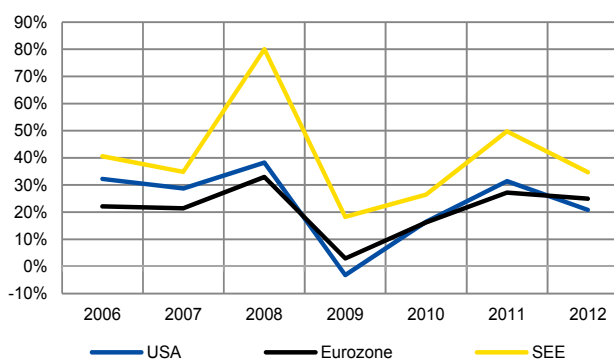
Source: IMF (2013)

higher than the forcasted rates for all countries of the SEE region, which primarily reflects the increase in food prices at the global level (Figure 2).

Gradual improvement of economic activity and the labor market in the U.S. influenced the unemployment rate to decline to 8.2 percent in 2012, compared with the rate of 8.9 percent in 2011. Regarding the eurozone, economic and financial crisis continued to affect the labor market in these countries, reflecting on the increase in the unemployment rate by the end of 2012. The unemployment rate reached 11.4 percent in 2012, reflecting an increase compared with the rate of 10.2 percent in 2011. In SEE countries, the unemployment rate was similar compared to 2011. In 2012, the average unemployment rate in SEE was 26.6 percent (26.1 percent in 2011). Albania and Montenegro reported the lowest unemployment rate of 13.3 and 13.5 percent, respectively, in 2012, followed by Croatia (15.9 percent).

Public debt remains a serious problem in many developed countries. Having reached the highest levels reported since World War II, public debt in the U.S., Japan and several eurozone countries now exceeds 100 percent of GDP.

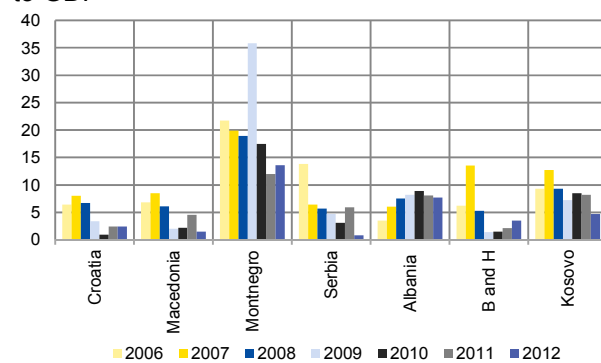The sustainability of public finances is being hampered by weak economic growth, ongoing budget deficits and financial sectors which are still weak. While in 2012 the U.S. public debt reached 67.7 percent of GDP, some eurozone countries such as Greece, Italy, Portugal and Ireland continued to report very high rates of public debt (195.3 percent of GDP, 132.2 percent of GDP, 124.6 percent of GDP and 122.0 percent of GDP, respectively), followed by England, France and Germany (96.7 percent of GDP, 95.8 percent of GDP and 79.3 percent of GDP, respectively).

Despite the positive contribution of net exports that gave to the global economic growth, the slowdown in external demand led to a slowdown in export growth in the U.S. economy and the economies of the eurozone and of the

Figure 3. Foreign Direct Investments as percentage to GDP

Source: European Commission (2013)

Figure 4. Remittances received, in millions of euro

Source: World Bank (2013)

SEE. According to the IMF, on the global level, exports recorded a growth of 3.1 percent in 2012 (6.0 percent in 2011). Meanwhile, data of the European Central Bank (ECB) show an annual growth of exports of 7.4 percent in 2012 in the eurozone, reflecting an annual downward growth trend of exports compared with annual growth of 13.2 percent as it was in 2011. Also, the slowdown in domestic demand in the eurozone contributed to the slower growth of imports which in 2012 recorded a growth of 1.8 percent (13.2).
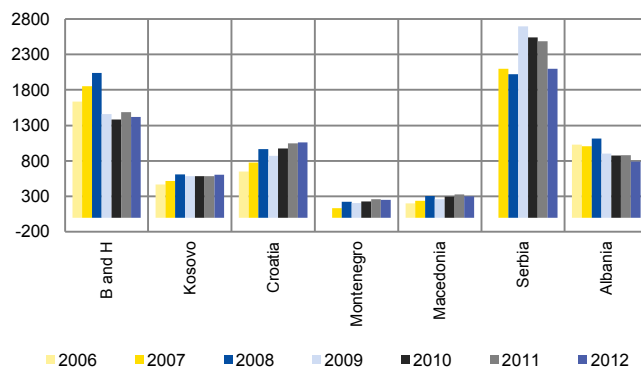
A similar trend followed the SEE economies, marking a slowdown in growth rate of exports and a decline in imports. SEE countries reported an increase in the current account deficit of 8.6 percent of GDP in 2012, which represents an improvement compared to the deficit of 9.6 percent of GDP in 2011. The decrease in the current account deficit
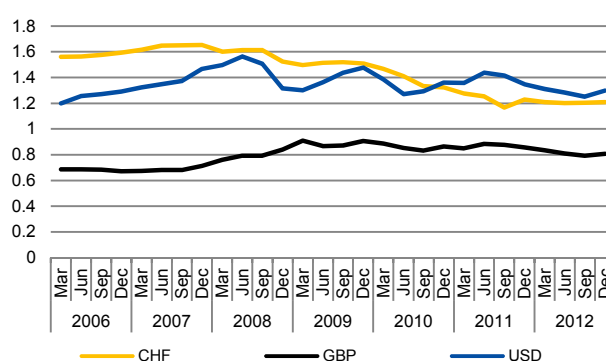
was mainly due to the higher decline of imports compared to the exports decline, which was a result of the significant slowdown in domestic demand in most SEE countries. During 2012 there has also been deterioration in the balance of FDI. The average of FDI to GDP ratio in 2012 was 4.8 percent, compared with 6.1 percent as it was in 2011. Montenegro marked the highest FDI growth rate in 2012 (13.6 percent of GDP), followed by Albania (7.7 percent of GDP), while Serbia had the lowest growth rate of FDI in 2012 (0.8 percent of GDP). The data of the World Bank show that remittances declined in almost all SEE countries in 2012 compared with the previous year. Reaching the amount of euro 2.1 billion, remittances in Serbia marked the largest annual decline of 15.2 percent in 2012. Only Croatia and Kosovo were characterized by increase in remittances, with 1.2 and 3.6 percent, respectively, in 2012. In December 2012, remittances in Croatia amounted to euro 1.1 billion, while remittances in Kosovo amounted to euro 605.6 million (Figure 4).

Lending activity continued to be characterized by a slowdown in growth in some SEE countries and a decrease in others, while the credit quality deteriorated in 2012. In 2012, except Montenegro and Croatia where crediting marked a decline, all other SEE countries reported increase in crediting. The highest credit gorwth rate was recorded in Serbia (16.0 percent), while Montenegro reported the most significant decline in crediting (4.3 percent). Regarding the quality of the loan portfolio, Albania, Croatia and

Figure 5. Euro exchange rate

Source: Bloomberg (2013)

Bosnia and Herzegovina reported the highest rates of non-performing loans in 2012 with 21.2, 13.2, and 12.6 percent, respectively, while Kosovo continued to report the lowest rate of non-performing loans with 7.5 percent.

Regarding the exchange rate, in December 2012, euro depreciated against most major currencies, while at the same time euro appreciated against the currencies of the SEE countries. In December 2012 euro depreciated against the U.S. dollar and British pound (GBP) by 0.5 percent and 3.8 percent, respectively. Regarding currencies of the SEE countries, euro recorded the largest appreciation against Serbian dinar with 8.5 percent (RSD/EUR 113.5) Albanian Lek 1.1 percent (ALL/EUR 139.7) and against the Croatian kuna 0.3 percent (7.53 HRK / EUR) (Figure 4).

3. Macroeconomic developments in Kosovo

Kosovo's economy in 2012 was characterized by a positive growth rate (2.1 percent - IMF, 2013). This assessment of the real economic growth is lower than in previous years, as negative developments in regional and European markets presented a challenge for overall economic activities in the country. In this context, during 2012, was marked a decline in some of important financing sources of the country, in particular foreign direct investments. With a decline were characterized also the exports of goods, however, the increase of services export neutralized the effect of the decline in goods export.

Figure 6. Real GDP growth, in percent
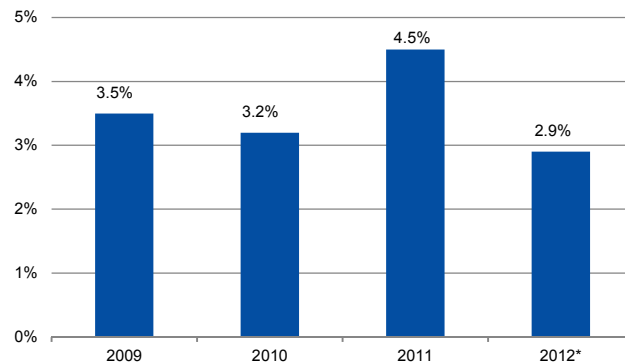
Source: *KAS (2012) and CBK evaluations

On the other hand, other segments of the domestic economy continued to show solid performance. Local banks furtherly increased local crediting and at the same time the deposits were characterized by positive growth rate. This level of growth in loans and deposits largely reflects the perception of local banks on the economic developments in the country. Remittances which represent a significant component in financing the consumption in the country continued the positive growth trend. The public sector continues to have a positive role in the economic stability of the country in revenues and budget expenditures as well. Bsides capital investments which marked an increase, also the subsidies helped to accelerate the pace of developments in the agricultural sector, contributing to the increase of the number of new enterprises in this sector.

More specifically, consumption as the main category of GDP reached the share of around 107 percent to GDP. The overall structure of consumption is dominated by the private sector, while the share of public consumption was similar to the previous year. The consistent expansion of crediting by the Kosovo's banking system continues to be an important source of financing the local economy. Loans issued by the banking system marked an annual increase of 3.8 percent, reaching a value of euro 1.8 billion. Loans issued by the banking system to enterprises marked a growth rate of 3.0 percent while loans to households recorded an annual growth of 6.2 percent. The main source of funding the banks in Kosovo remain deposits collected within the country, which also followed an increasing trend, where by the end of 2012 amounted to euro 2.3 billion, representing an annual increase of 8.3 percent.

Also, remittances, as one of the main sources of consumer financing in Kosovo, marked an annual increase of 3.6 percent, amounting to euro 605.6 million. Positive developments during this period are also estimated to have been in the fiscal sector. Government expenditures on consumer goods and services marked an increase of 8.2 percent, hence positively effecting on overall consumption. Moreover, the wage category marked an increase of 5.9 percent which positively influenced on the growth of private consumption in the country.
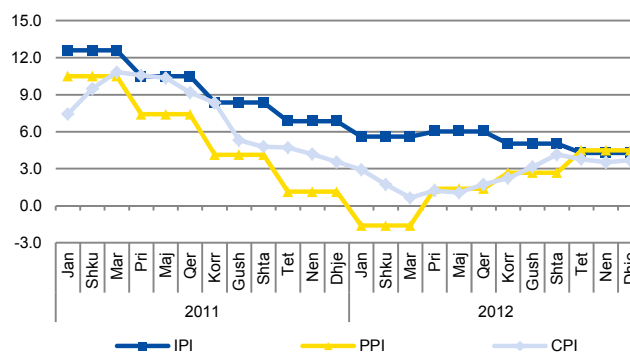
Investments which comprise around 35 percent of GDP have also continued to increase. Banking sector loans continue to have an important role in supporting the investing activity, public investments, and foreing direct investments. Crediting of enterprises had a share of 66.3 percent of total loans amounting to euro 1.2 billion (an increase of 3.0 percent). Public investments represent also a very important component within the overall structure of investments in Kosovo. The value of public investments in 2012 amounted to euro 550.2 million, which represents an

annual increase of 4.2 percent. Conversely, foreign direct investments marked a significant decline in 2012 (-41.2 percent), reaching the value of euro 232.0 million.

As a result of the high dependence on goods import from abroad, the economy remains characterized by high trade deficit, which is the main cause for the high current account deficit in the country. Moreover, the high level of trade deficit negatively affects the GDP. In 2012, Kosovo's trade deficit amounted to euro 2.1 billion, which represents an annual increase of 0.7 percent. The deficit increase is attributed to a larger decline of goods export (-11.7 percent) than the decrease of goods imports (-1.0 percent). This has

Figure 7. Annual rate of Consumer, Import and Producer Price

Source: SAK (2013), CBK calculations

had an impact on the level of imports coverage by exports which decreased from 13.6 percent as it was in 2011, to 12.2 percent in 2012.

Inflationary pressures which reached their peak in 2011 began to soften in 2012. Consumer Price Index (CPI) in 2012 recorded an annual average rate of 2.5 percent, which represents a relatively low rate of inflation compared to the previous year, when inflation recorded an annual average rate of 7.3 percent. The softening of the inflationary pressures during 2012 is mainly atributed to weakening demand and general price developments at the global level. Prices of products such as bread and cereals, vegetables, oils and fats had the main influence in turning down the inflation. Meanwhile, oil prices continued to have further positive impact on the increase of the overall price level in the country.

Price changes in Kosovo are largely a result of the price changes on the external markets, which is reflected through the Import Price Index (IPI). In 2012, the annual average of IPI growth was 5.2 percent. The high sensitivity of the price level in Kosovo from price movements in global markets is recognised also in figure 7, which shows that the trend of CPI and Producer Price Index (PPI) has followed a very similar trend to the IPI. The same trend of import prices and producer prices shows a very sgnificant support to the local production in the import of raw material from abroad. Despite of this, in 2012, the CPI has significantly been lower than IPI (2.8pp difference). This difference was contributed by PPI which in 2012 marked an increase of 1.7 percent, which is lower than the CPI or IPI. This slower growth of producer price is mainly manifested in the extraction of minerals, metal production, furniture production, etc.

The softening of the inflationary pressures in Kosovo during 2012 is reflected in the Real Effective Exchange Rate (REER), which is depreciated by 0.2 percent. The depreciation of REER in Kosovo against trading partners suggests that Kosovo's exports to some extent bacame cheaper for foreign buyers, which has positive implications for the competitiveness of Kosovo goods in the foreign markets.

One of the main ongoing challenges in Kosovo appears to be the unemployment rate which is considered as the main burden on the local economy. Given the continuous growth of the labor force in the country which is mainly comprised by young people, the current growth rate of the economy is considered to be low to absorb the continuous growth of the labour force.

According to the results of the Labour Force Survey published by the KAS, the unemployment rate in Kosovo in the first half of 2012 was 35.1 percent. Based on the results of this survey, the

unemployment rate is more significant in rural areas (40.1 percent) compared to urban areas (28.5 percent), and unemployment is higher among women (44.4 percent) than men (32.0 percent). The main concern si the high level of unemployment among young people aged between 15-24 (65.1 percent). Also, based on the Ministry of Labour and Social Welfare, the registered unemployees represent a registered unemployment rate of approximately 35-40 percent of the economically active population. Based on this ministry, there are about 259 thousand persons registered as unemployed, representing a decrease of 20.3 percent compared to 2011.

During 2012 were registered 9,592 new enterprises, representing an increase of 21.7 percent compared with the previous year, while 1,081 terminated their operation or 17.0 percent more than in the previous year. The most favourable economic activities for registration of new companies were trade (31.3 percent of total enterprises), followed by the manufacturing industry (10.3 percent), hotels and restaurants (10.0 percent), construction (9.7 percent), real estate (9.4 percent), etc. Furthermore, new registered enterprises are mainly micro-enterprises[1] (98.98 percent of total new enterprises), while the remainder consists of small (0.98 percent) and medium enterprises (0.03 percent).

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[1] Klasifikimi i ndërmarrjeve sipas madhësisë është bërë në bazë të numrit të punëtorëve, si vijon: mikrondërmarrje (1-9 punëtor), ndërmarrje të vogla (10-49 punëtor), ndërmarrje të mesme (50-249 punëtor), dhe ndërmarrje të mëdha (250 e më shumë punëtor).

4. Balance of Payments in Kosovo

Balance of Payments in Kosovo continues to be characterized by large current account deficit and positive position in the capital and financial account. The current account deficit(mainly being driven by the trade balance) despite the recoveries in 2012 continues to remain at relatively high levels. On the other hand, financing this deficit from capital and financial account, despite the continuous sustainability, during 2012 was faced with challenges as a result of FDI decline and trade loans.

4.1 Current acoount

The current account deficit in Kosovo during 2012 decreased significantly, reaching the level of euro 379.4 million, which compared to 2011 represents a decline of 42.4 percent. As a percentage to GDP, the current account deficit in 2012 was the lowest in recent years, reaching 7.7 percent of GDP.

The current account deficit in the Kosovo's economy, especially in trade in goods, largely reflects the lack of competitiveness of the domestic economy against main trading partners. This is obvious when considering the structure of goods imported in Kosovo which significantly is dominated by food products, whereas exports are dominated by base metals. As shown in figure 8, trade deficit is the main contributor to the current account deficit, while other categories such as trade in services, income account and current transfers are the main factors which have an impact on narrowing the current account deficit.

4.1.1 Trade in goods[2]

Trade activity during 2012 has marked remarkable slowdown within exports and imports as well. The trade activity ratio to GDP in 2012 was 53.9 percent compared with 57.1 percent in 2011. Domestic economy is considered to have lack of competition in trade in goods considering the high level of trade deficit (Figure 10). Low competitiveness of the economy makes Kosovo dependent on imports, and simultaneously, dependent

Figure 8. Current account balance, in millions of euro
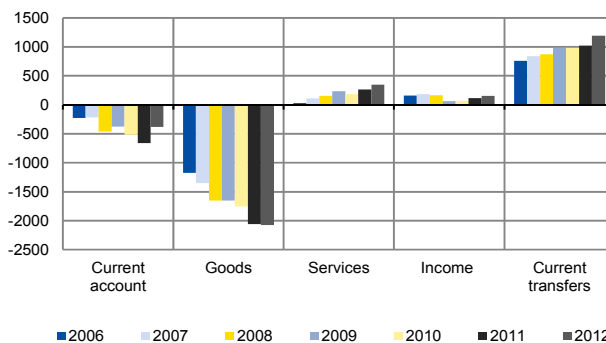
Source: CBK (2013)

Figure 9. Imports, exports and trade balance, non-cummulative
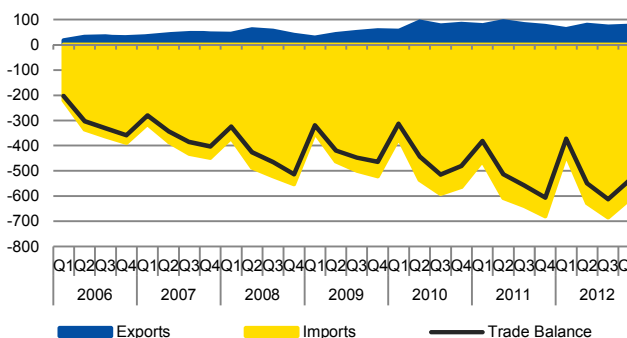
Source: CBK (2013)

Figure 10. Exports and international prices of metals, without seasonal adjustments
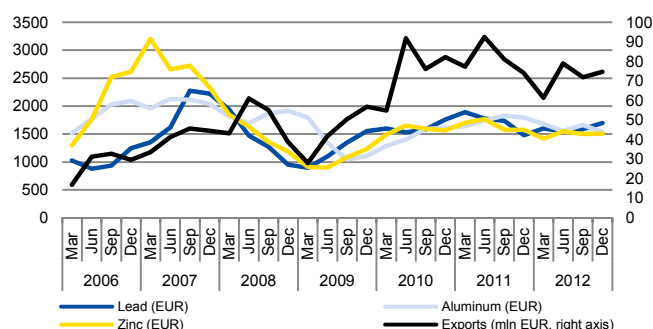
Source: CBK (2013) and Bloomberg

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[2] Since September 2012, the Kosovo Agency of Statistics does not include the data of imports and exports of the energy in total trading activity.
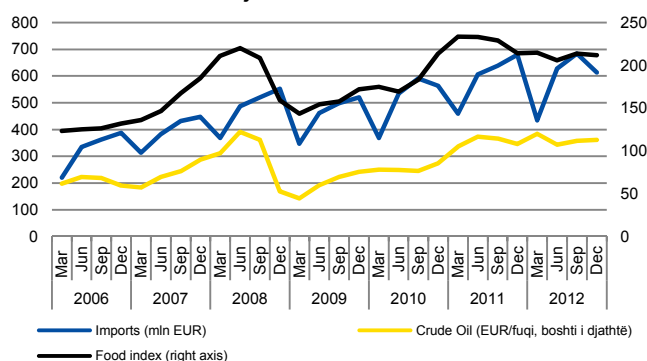
on changes in the prices of the main products imported.

Kosovo's exports in 2012 amounted to euro 286.9 million, representing a decline of 11.7 percent. The decline of exports from Kosovo not only was caused by the overall decline in regional demand but also was affected by the decrease in prices of key components that Kosovo exports (Figure 10). Over 60 percent of goods exported from Kosovo consist of base metals; hence changes in metal prices reflect the nominal value of exports. This report is presented also in figure 10 where the general trend of exports was similar to base metal prices on the international market.[3]

Figure 11. Imports and international oil and food prices, without seasonal adjustments

Source: CBK (2013) and IFS and FAOUN

The recovery of exports is expected to occur during 2013. The exports growth in 2013 is forcasted to be from 8 to 10 percent. The stabilization of prices of primary products that Kosovo exports (as for instance base metals) is expected to be the key factor that will stimulate exports growth in 2013.

On the other hand, the value of imports during 2012 amounted to euro 2.36 billion which represents a decline of 1.0 percent. Slower growth of imports during this period may be caused as a result of price stabilization and the decline of major products that Kosovo imports such as food products and mineral products, which mainly consist of oil derivatives (Figure 11).

CONTENTS 1. The seasonal adjustment of BOP data

'The seasonal component is defined as the intra-year pattern of variation which is repeated constantly or in an evolving fashion from year to year' (Shiskin, 1967). Otherwise, seasonal component in the economic time series represents short-term regular wave-like patterns that are observed within a calendric year. The seasonal variations are usually representing repetitive patterns that tend to repeat themselves within a year, e.g. on monthly or quarterly. For example, economic time series are often affected by events which recur each year at roughly the same time. For instance, climatic factors in agriculture or construction, institutional factors such as public holidays may affect the number of working days, the increase in household purchases during the end year holidays or the enterprises' activity may increase by the end of fiscal year. These are

Figure 12. Export with raw data and with seasonal adjustments, in millions of euro

Source: CBK (2013)

examples of repetitive movements within a year that usually impact the production, consumption behavior, leisure activities etc. bringing seasonality to the data.
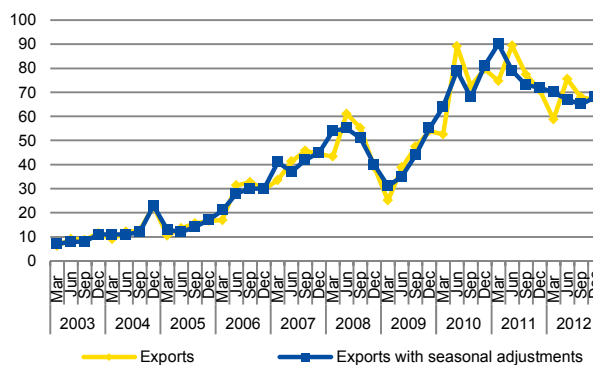
[3] Similar trend exists between exports and other metals such as nickel, iron and copper.

The importance of seasonality comes from fact that seasonal component exert an unquestionable influence on economic by dampening or inflating the movement of the true data, depending on the timing of the year (Bilodeau, 1997). The calendar or trading days can also cause a seasonal movement in monthly data, because the number of trading days varies from one month to another (the number of working days in a month, number of weekends, leap year, holidays). However, when using quarterly data, the trading day effect is rarely significant (Statistics Norway, 2012). Seasonal patterns are often so large that they hide other characteristics of the data and might complicate the interpretation and inter-period comparability of variables of interest. If the seasonal effect changes every month, it can be difficult to detect *a clearer* direction of monthly developments in a time series (e.g. increases, decreases, turning points and a lack of change or consistency with other economic indicators). *For example, the interest may lie in identifying the increasing and decreasing tempo of the data, i.e. to locate the business cycle in the series without the seasonal effect.* Besides enabling to envisage the true behavior of the series, seasonal adjustment also makes it easier to compare consecutive data, monthly or quarterly (ECB, 2011). Additionally, the seasonal adjustment also makes the comparison of the data between the countries more reliable. For this reason, institutions like central banks or statistical offices, among the original series, provide with seasonally adjusted data, also. The seasonal adjustment of economic series primarily consists of using certain mathematical techniques (mostly X12-ARIMA or TRAMO-SEATS) in order to remove periodic variations from the series.

Figure 13.Imports with raw data and with seasonal adjustments, in millions of euro
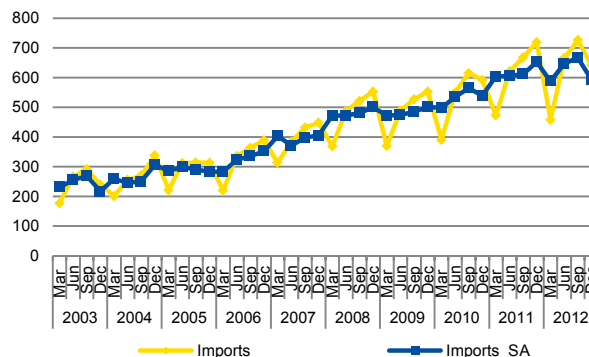
Source: CBK (2013)

The seasonal adjustment of the data can be disregarded when using annual data, or comparing changes in annual basis (e.g. January 2011 with January 2012). Further, some series not necessarily give evidence of the presence of seasonal and calendar effects, thus it may be inappropriate to seasonally adjust them and could lead to introduction of seasonality in non-seasonal time-series (ESS Guidelines).

So far, the analytical framework of the balance of payment report has been based on the year-on-year analysis using raw, non-adjusted series. The aim of the CBK seasonal adjustment of the quarterly data (or monthly) is to estimate and remove the seasonal effects from the series and reveal non-seasonal features. The seasonal adjustment has been performed on historical data of exports and imports, for the period 2003-2012, using quarterly flow data.[4]

Figure 14. Comparison of imports with and without seasonal adjustments, cummulative data

Source: CBK (2013)

A visual inspection of the raw imports data, clearly suggests that the series is strongly influenced by the seasonal factors and thus should be subject to seasonal adjustment. As illustrated in figure Y, the seasonal pattern is quite rather regular and repetitive in the first quarters, as imports reach the lowest point, due to a lower economic activity. Imports usually start picking up in the second and third quarters, whereas usually peak in the fourth quarters, which also coincides with the end–year feasts and holidays, when the consumption increases.

Regarding the Kosovo exports, the seasonal pattern is less regular, relative to imports. However, it can be noted that the first quarters are usually characterized with lower export activity, whereas the highest growth rate of month-on-month is usually registered in the second quarters. Further, starting from 2005/2006 when the base of exports increases, the amplitude of seasonality also increases, indicating a

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[4] Even though the literature provides no clear cut regarding which method is more preferable, the seasonal adjustment has performed on individual basis, hence we have favored the direct approach. The seasonal adjustment of exports and imports is implemented with X11-ARIMA using multiplicative approach, with an automatic log-levels functional form (ESS Guidelines). The M- tests and the Q-test are fairly close to zero, indicating a stable seasonality and enough randomness in the raw data to perform seasonal adjustment.

stochastic seasonality. However, the quality tests do not suggest a significant move of seasonality over the periods; hence the seasonality of exports can still be identified and attenuated. It should be noted that in the first quarter of 2009 (Figure X), Kosovo exports have experienced a sharp decline, nevertheless this situation does not reflect seasonality but rather the decline of the external demand, mainly from EU countries after the commence of the global financial crisis.[5] This period may be considered as a transitory outlier, as exports start picking up afterwards and reach the previous level in 2010.

To conclude, the removal of the seasonal component in Kosovo exports and imports, besides easing the fluctuations during periods, it has also contributed in identification of a clearer direction of the movements during the period analyzed.

Figure 15. Comparison of exports with and without seasonal adjustments, cummulative data
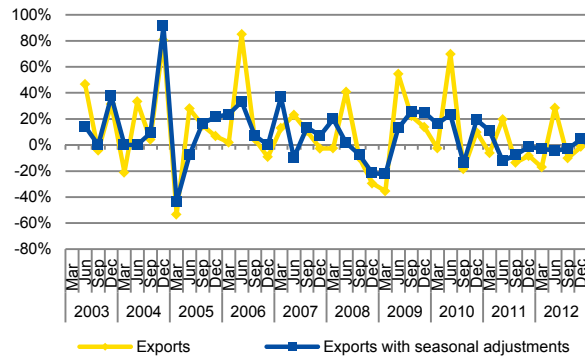
Source: CBK (2013)

4.1.2 Trade in services

Trade in services in 2012 was characterized by a positive balance of euro 346.2 million. Compared with the previous year when the trade balance in services was euro 265.7 million, this represents an annual increase of 30.3 percent.

The main component in the context of trade in services continues to be the category of travelling which is comprised of selling travel services for non-residents. Compared with the previous year, in 2012 the balance of the travel services account reached euro 309.3 million, representing an annual increase of 31.3 percent. The increase of the balance of this account was the result of lower imports of travel services for 28.1 percent and export growth of 13.4 percent for this category.

Important category of services is also the trade activity in communication services. The position within communication services during 2012 amounted to euro 70.3 million of exports and euro 22.0 million of imports resulting in a positive balance of euro 48.3 million. However, compared to the previous year this category marked a decline of 37.3 percent.

Figure 16. Net export structure of services, in millions of euro
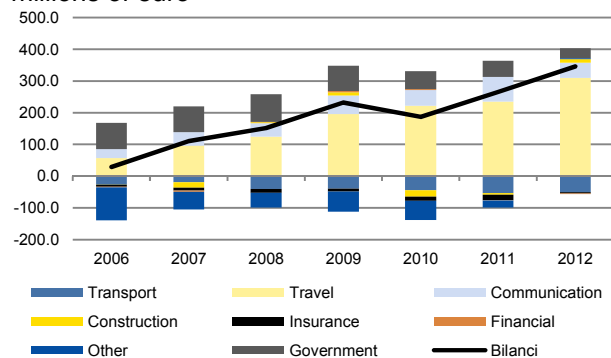
Source: CBK (2013)

Figure 17. Income account, in millions of euro
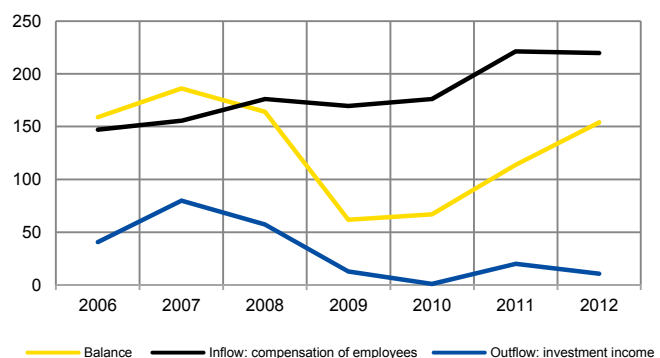
Source: CBK (2013)

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[5] The outlier in the first quarter of 2009 has not been removed from the time series of exports nor was modeled with a dummy variable, therefore after the seasonal adjustment, this series has to be carefully analyzed .

Another important category within services is the export of services to the government and services provided to the international institutions in Kosovo as the diplomatic missions, EULEX, KFOR, etc. This category includes services provided to the international presence in Kosovo, such as the presence of diplomatic missions and other international institutions (EULEX and KFOR). The balance of this category is euro 30.9 million. Negative contributor within services remains transport with euro 50.9 million and insurance services with euro 4.0 million (Figure 17).

4.1.3 Income

Income account during 2012 had a positive balance of euro 154.1 million against 113.8 million in 2011. The growth of positive balance within this category was a result of decrease of payments within investments. Conversely the receipt category within compensation of employees was carachterized with stability.

The largest category within income account continues to be compensation of employees which in 2012 had a balance of euro 219.9 million (euro 221.2 million in 2011). This category primarily comprises the income of employees abroad as seasonal workers and workers in Afghanistan and Iraq. Conversely, categories with continuous negative balance are the income category from investments which represents the profit withdrawals from foreign companies in Kosovo. Until September 2012, this category had a negative balance of euro 60.1 million, which compared with the same period of the previous year marked a decrease of 36.2 percent (euro 94.3 million in 2011). Income account during this period was characterized by positive growth of 35.4 percent making this category as one of the important contributors to the narrowing of the current account deficit (Figure 17).

4.1.4 Current transfers

The category with the largest contribution in narrowing the current account deficit is the account of current transfers. This category consists of transfers from government and private transfers which are dominated by remittances. The current transfers account during 2012 marked higher growth compared to other accounts. Annual growth of current transfers amounted to 16.8 percent, resulting in balance of euro 1.2 billion. Transfers to the central government had the highest annual growth rate of 24.6 percent,

Figure 18. Current transfers, in millions of euro

Source: CBK (2013)

reaching the level of euro 401.6 million. Within government current transfers mainly are the donor transfers, EULEX and UNMIK. Another category with significant impact is that of other sectors which mainly consists of remittances. Payments of Kosovo's economy within private transfers marked a decline of 7.4 percent, thus contributing to overall growth (Figure 18).
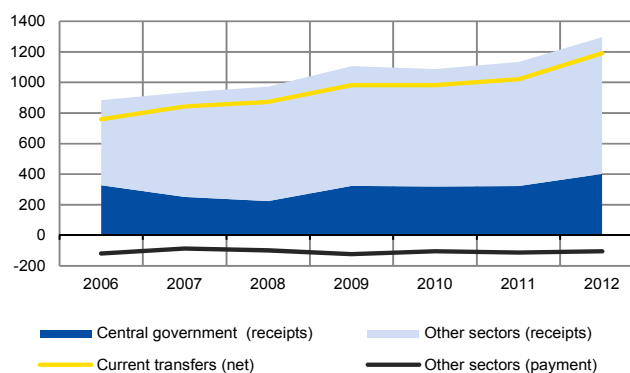
Remittances continue to be the key component of transfers within the private sector (67.7 percent of total transfers to the private sector). Revenues from remittances in 2012 amounted to euro 605.6 million, presenting an increase of 3.6 percent compared with 2011. On quarterly basis, the increase was more significant in the third and fourth quarter, whereas the first quarter was

characterized by a decline in remittances (Figure 8). As a percentage to GDP, remittances until September 2012 marked a decline of 12.3 percent compared to 12.5 percent of GDP in 2011.

Germany and Switzerland continue to be the main source of remittances with 34 and 23 percent of total remittances received in Kosovo, while other countries are represented by a lower percentage. Italy and Austria represent 7 and 6 percent, respectively, of the total remittances, followed by Belgium with 3 percent, the U.S. and Sweden 4 percent

Figure 19. Remittances received, in millions of euro

Source: CBK (2013)

and 3 percent, respectively. Remittances by channels continue to have a similar share as in the previous years. The banking system continues to transfer around 20 percent of remittances, while money transfer agencies have a share of 36 percent of total remittances. The remainder of remittances is transferred through other transferring channels.
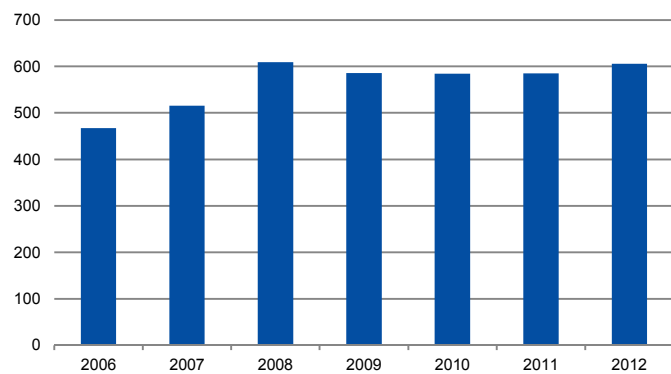
4.2 Capital and financial account

Capital and financial account continue to be characterized with a positive balance, but significantly with a lower level compared to previous years (Table 1). In 2012, the balance of this account amounted to euro 140.1 million, representing a decrease of 66.6 percent compared with the previous year. Due to the decline of grants for capital investments, the balance of capital account declined to euro 13.0 million, compared with euro 42.0 million in 2011.

Table 1. Capital and financial account, in millions of euro

Description	2006	2007	2008	2009	2010	2011	2012
Capital and financial account	-14.9	10.7	298.9	213.3	297.2	419.6	140.1
Capital account	20.8	16.5	10.5	100.3	21.3	42.0	13.0
Financial account	-35.7	-5.8	288.5	113.1	275.9	377.5	127.1
Assets	367.5	508.5	227.8	230.6	402.9	93.9	322.3
Direct investments	5.6	9.7	25.0	10.5	34.7	15.7	15.8
Portfolio investments	65.4	34.5	109.9	124.8	48.6	57.8	185.7
Other investmnts	218.7	170.0	74.7	190.1	266.2	81.7	-146.4
Reserve assets	77.9	294.3	18.2	-94.8	53.4	-61.2	267.2
Liabilities	331.8	502.7	516.3	343.7	678.7	471.4	449.4
Foreign direct investments	294.8	440.7	366.5	291.4	365.8	394.6	232.0
Portfolio investments	0.0	0.0	0.0	0.5	-0.7	0.8	0.7
Other investmnts	37.0	61.9	149.8	51.8	313.6	76.0	216.6

Source: CBK (2013)

Within the balance of euro 127.1 million of the financial account, was marked an asset growth of euro 322.3 million and an increase of liabilities of euro 449.4 million. The main contributor within the positive balance of the financial account continues to be the category of FDI, followed by other investments, while a negative impact on the balance of the financial account continues to have the increase of portfolio investments and reserve assets outside of the Kosovo's economy.

4.2.1 Direct invesmtents

The balance of direct investments measured as the difference between FDI in Kosovo and investments of Kosovo's residents in other countries, in 2012, were euro 216.3 million or 42.9 percent lower than in the previous year. FDI in Kosovo amounted to euro 232.0 million or 41.2 percent lower than in 2011, while investments of Kosovo's residents in other countries marked a slight increase of 0.8 percent reaching a value of euro 15.8 million. Direct investments of Kosovo's residents outside Kosovo's economy are mainly capital investments, which mostly is oriented to real estate purchase.

As shown in Figure 20, FDI in Kosovo from 2008 to 2011 maintained a similar level of around 8.3 percent of GDP. As a result of the global financial crisis, in 2009 FDI recorded a more significant decline, while in 2010-2011 the value of these investments began to grow again, although at a slower pace. Meanwhile, the trend was significantly deteriorated in 2012, reaching around 5 percent of GDP. This trend deterioration indicates the sensitivity of FDI to the economic developments in the eurozone, which also represent the main source of FDI in Kosovo.

FDI sensitivity to developments in the eurozone is illustrated by the fact that other investments (inter-company lending) marked a significant decline (46.6 percent) compared to the equity capital (45.3 percent decline) or the re-invested earnings (16.1 percent decline) (Figure 21).

FDI in Kosovo is mainly concentrated in the sectors of the economy such as real estate with 31.7 percent of total FDI, construction with 20.8 percent, production with 12.1 percent, financial sector with 10.4 percent, followed by transport and telecommunications sector with a share of 7.9 percent of total FDI. As shown in Figure 21, the year 2012 was characterized with changes regarding the FDI structure by sectors. The value of investments in real estate is similar to the previous year, but due to the decline of investments in construction and manufacturing sectors is observed a larger share of these sectors to total FDI. Financial sector, which in the last two years

Figure 20. Foreign direct investments as percentage to GDP and current account deficit
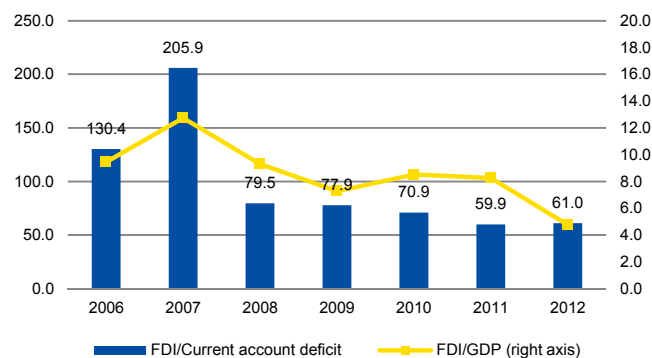
Source: CBK (2013)

Figure 21. FDI structure by components, in millions of euro
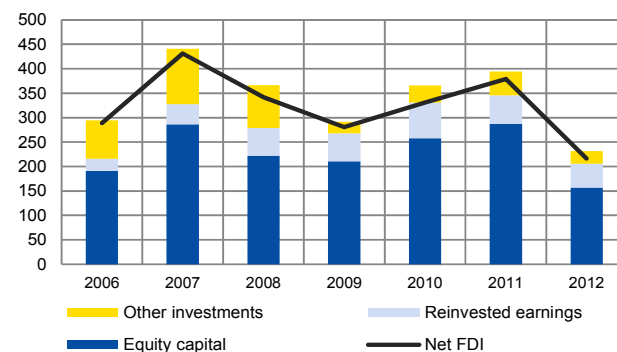
Source: CBK (2013)

Figure 22. FDI by main economic sectors, in percent
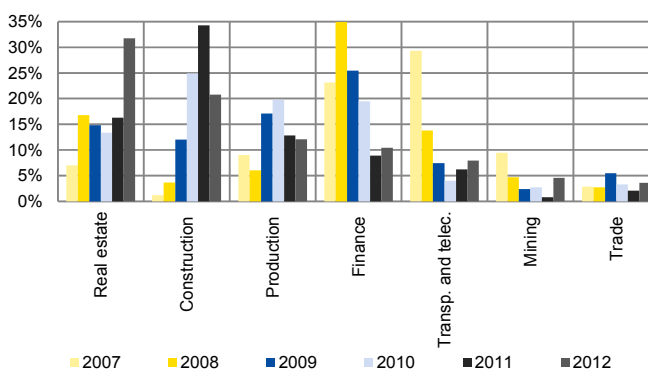
Source: CBK (2013)

marked significant decrease in total FDI in 2012 marked a slight increase and is expected to record a further increase also in 2013 as a new bank has started operating in Kosovo's banking system.

EU countries continue to be the main source of FDI in Kosovo. Unlike last year, when the largest share of FDI was from the UK (20.3 percent of total FDI), in 2012 Turkey is the country of origin representing the largest share to total FDI in Kosovo (28.3 percent of total FDI). Investments by this country, in

Figure 23. Structure of FDI by main countries, in percent

Source: CBK (2013)

2012, were focused mainly on transport and telecommunication sectors (53.8 percent), financial services (19.6 percent), manufacturing (14.2 percent), etc. Significant increase in FDI was also marked by Switzerland, which during this period represents the third country ragardind the FDI amount invested in Kosovo (16.8 percent). Unlike Turkey, FDI from Switzerland during 2012 were mainly concentrated in real estate (66.1 percent) and construction (18.5 percent). By most EU countries, including Germany was marked a decline in FDI, however, due to the sharp decline of FDI from the UK, some other countries are observed to have recorded an increase in the share of FDI structure (Figure 23).

4.2.2 Portfolio Investments

The balance of the portfolio investments in 2012 was euro -184.9 million (euro -57.0 million in 2011). Portfolio investments abroad in 2012 marked a significant increase compared to the previous year. This increase was marked due to deposit investments abroad in securities. The value of portfolio investments abroad amounted to euro 185.7 million (euro 57.8 million in 2011). Out of this amount, 61.9 percent was invested in equity securities while the remainder of 38.1 percent was invested in debt securities. This ratio of portfolio investments reflects the perceptions of local financial institutions on improving the overall environment in the global financial markets as investments in equity securities are considered with higher risk and consequently the possibility of the profit is higher than in the debt securities investments.

Regarding institutions, most of the portfolio investments belong to the Central Bank and commercial banks, while the rest consists of investments of pension funds in different financial instruments abroad. Liabilities in the form of portfolio investments, which mainly consist of re-invested earnings of commercial banks shareholders who possess less than 10 percent of the shares, in 2012 was only euro 0.7 million. This low level of liabilities in the form of portfolio investments is due to the initial phase of the development of the capital market.

4.2.3 Other investments

Other investments category, as one of the most significant categories within the financial account had a balance of euro 363.0 million (euro -5.7 million in 2011). The positive balance of this category marked an increase due to a decline in assets for euro 146.4 million and to the increase in liabilities for euro 216.6 million. The increase of liabilities of residents to non-residents represents a capital inflow into the country the same as the decline of assets results in a capital inflow into the country. Assets within the category of deposits were decreased to euro 179.8 million (withdrawal of deposits placed outside Kosovo's economy during the previous years). The majority of this amount belongs to the Central Bank and commercial banks while the rest in

other sectors. Loans to non-residents marked an increase of 27.1 percent or euro 31.3 million. Credit growth was primarily the result of issuance of the loans to nonresidents by commercial banks, while the share of other sectors[6] within loans was very low (only 6.8 percent).

Regarding liabilities, the main component continues to be the category of commercial loans which in 2012 amounted to euro 100.3 million (annual growth of 7.7 percent). The increase of commercial loans[7] can be an indicator of the lack of solvency of domestic companies, but it can also serve as a measure of the confidence of international companies against domestic ones.The category of deposits, which are mainly non-resident deposits in local banks, amounted to euro 97.0 million (euro -1.3 million in 2011). Conversely, liabilities in the form of loans marked an increase of euro 25.6 million (euro 15.8 million was the amount of loans returned in 2011).

4.2.4 Reserve assets

Reserve assets are those external assets which are available and controlled by monetary authorities for direct financing of balance of payments needs through the intervention in exchange markets to affect the currency exchange rate, and for other purposes (maintaining the confidence in the currency and economy, as well as serving as a basis for receiving loans from abroad). Given this definition, can be considered that reserve assets in Kosovo have no significant importance when comparing with the most other countries, taking into account the fact that the euro is used in Kosovo, which is acceptable in any international transaction. However, reserve assets marked an increase of euro 267.3 million in 2012. This increase in reserve assets was around 56.7 percent in the money market instruments and the remainder belongs to deposits.

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[6] In the context of other sectors are included: pension funds, financial auxiliaries, insurance companies, non-government organizations, private companies, and individuals.

[7] Commercial loans and advance payment arise when payment for goods or services are not processed simultaneously when the ownership of the goods or services is changed. If the payment is done after the change of the ownership is registered as trade credit, whereas if the payment is processed before the change of the ownership is registered as advance.

5. International Investments Position

Net International Investments Position (IIP)[8] at the end of 2011 was positive (euro 330.5 million). The positive balance of IIP has followed a declining trend until 2011, which reached 2.2 percent of GDP, whereas in 2012 growth rates were recorded again, reaching 6.7 percent of the GDP. This balance improvement was due to higher growth of assets invested abroad against liabilities that Kosovo has to other countries (11.3 or 4.7 percent) (figure 24). In this context, reserve assets and net portfolio investments recorded the main contribution in improving the balance of IIP marking an increase of 46.2 and 33.0 percent, respectively, at the end of 2012 compared to the end of 2011. On the other hand, other net investments declined by 20.5 percent, while direct investments balance remained negative marking a growth of 3.1 percent in 2012.

Regarding the institutional sectors, the Central Bank and commercial banks have consistently had credit balance (euro 1.3 billion and eruo 457.5 million

Figure 24. International Investments Position, in millions of euro
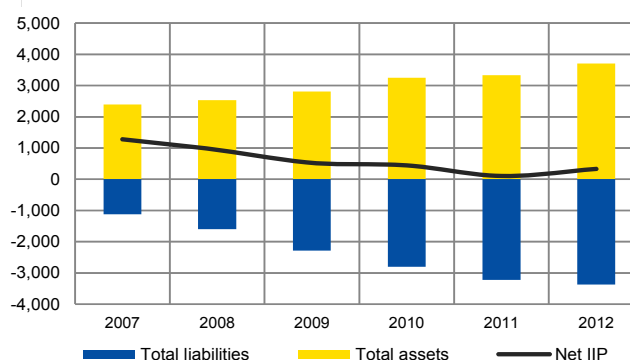
Source: CBK (2013)

Figure 25. International investments position by institutional sectors, in millions of euro

Source: CBK (2013)

at the end of 2012), while other sectors and government had a debit balance (euro 1.1 billion and euro 336.5 million). The positive balance of the Central Bank and commercial banks marked a growth rate of 21.3 and 84.5 percent, while other sectors and the government deepened the negative balance with around 13.7 and 32.7 percent, respectively, (Figure 25).

5.1 Assets

The value of the assets stock at the end of 2012, amounted to euro 3.7 billion (an annual growth of 11.3 percent). Asset growth was mostly contributed by reserve assets which marked an inrease of 46.2 percent and portfolio investment which recorded a growth of 32.7 percent (Figure 26).

Figure 26. Assets by form of investments, in millions of euro
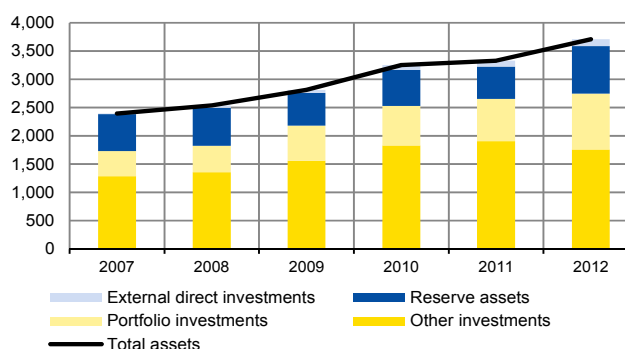
Source: CBK (2013)

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[8] Net International Investments Position represents the position at the end of a certain period of time of the external assets and fiancial liabilities. The position at the end of the period is a result of all transactions processed from the past, including corrections due to movements in the exchange rate in order to calculate the value of financial assets/liabilities at the reporting date or changes in market price.

Portfolio investments, which have a significant share in the stock of assets abroad (26.6 percent), are primarily invested in debt securities (64.1 percent), while the remainder (35.9 percent) in equity securities. Over 90 percent of portfolio investments are concentrated in the eurozone countries, mainly in Ireland (31.1 percent), Luxembourg (23.5 percent), Belgium (22.2 percent), etc. (Figure 24). Reserve assets have a share of 22.7 percent to total assets and are mainly held in the form of deposits abroad (71.1 percent) and in money market instruments (19.4 percent), while the rest is held in the form of Special Drawing Rights (SDR) (7.5 percent) and in the form of Kosovo's reserve in IMF (2.0 percent).

Figure 27. Stock of portfolio and direct investments by countries .
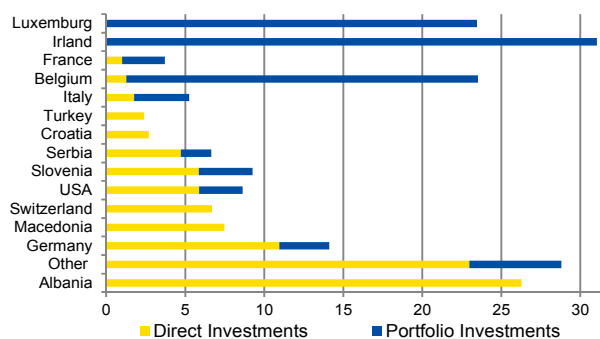
Source: CBK (2013)

Direct investments of Kosovo residents abroad marked an increase of 15.5 percent, but the contribution to the growth of the assets stock is still considered to ba small as only 3.2 percent of total assets belong to this category. Regarding FDI, they are all in the form of share capital and are mainly oriented to the real estate purchase in the region countries. Albania represents the country where the most of FDI is invested by Kosovo's investors (26.3 percent of total direct investments abroad of Kosovo's residents), followed by Germany (10.9 percent), Macedonia (7.5 percent), etc. (Figure 27).

Other investments category, which is the main category within Kosovo's assets abroad (47.5 percent of total assets), was the only category that marked a decline of 7.7 percent compared to the end of 2011. Over 95 percent of the assets within this category are in the form of deposits, of which over 50 percent are deposits of other sectors while the remainder is Central Bank deposits (27.1 percent) and commercial banks deposits (21.0 percent). Loans comprise 4.6 percent of other investments and entirely belong to commercial banks. Within other investments are also included commercial loans and other assets which have low share (0.1 percent each).

The above elaboration shows that certain components participate in more than one item (for instance, deposits comprise part of the reserve assets but also of other investments). Therefore, it is also important the classification of assets in two main groups, equity capital and debt instruments. Kosovo's assets are mainly invested in debt instruments (87.3 percent) equity capital (12.7 percent). As shown in figure 28, the equity capital despite of its low level, has consistently increased its share within the total assets.

Figure 28. Assets stock in equity capital and debt instruments, in millions of euro
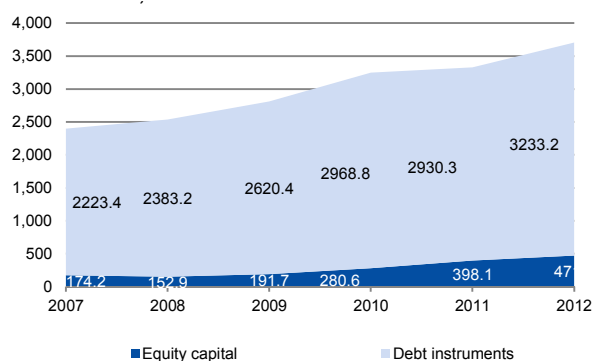
Source: CBK (2013)

Within the equity capital the largest part consists of investments in equity securities (75.0 percent) while the remainder (25.0 percent) in direct investments of Kosovo's residents abroad. Almost similar structure was observed at the end of 2011. Assets invested in the form of debt instruments are concentrated in the category of other investments (54.5

percent), then in reserve assets (26.0 percent) and in debt securities (19.6 percent). This concentration of investments in the category of other investments was even more significant at the end of 2011 (65.1 percent). Conversely, comparing 2012 to 2011 there has been a shift of investments from the category of other investments to reserve assets and securities. By institutional sectors, the main owners of the assets abroad are other sectors with 45 percent, the Central Bank with 38 percent and commercial banks with 17 percent.

5.2 Liabilites

The value of liabilities stock at the end of 2012 amounted to euro 3.4 billion (4.7 percent more than in 2011). While most Kosovo assets are invested in debt instruments, the liabilities of Kosovo's economy are dominated by FDI (72.5 percent), representing a favorable structural feature of liabilites (Figure 29). Liabilites in the form of other investments have a share of 27.5 percent, while liabilities in the form of portfolio investments are represented with 0.02 percent.

Figure 29. Liabilities to external sector by instruments, in millions of euro

Source: CBK (2013)

Liablities can be grouped into two main types: liabilities in the form of debt (other investments, portfolio investments and FDI in the form of intercompany loans), which will be discussed in the context of external debt and other non-debt liabilites (FDI in the form of equity capital and portfolio investments in the form of equity securities).

The FDI stock as one of the most important components of liabilities has reached the amount of euro 2.4 billion. Out of this amount, 75.9 percent are in the form of share capital and the rest (24.1 percent) belongs to FDI in the form of borrowings that have been given the direct investment enterprises in Kosovo by direct investors. A similar structure was also in the previous years (Figure 30). Out of euro 1.9 billion as FDI amounts in

Figure 30. FDI by equity capital and debts, in millions of euro

Source: CBK (2013)

Kosovo in the form of equity capital, Germany leads with 10.1 percent, followed by Slovenia and Austria with 5.7 percent each, Switzerland, Turkey, and the United Kingdom have a share of approximately 4 percent each, while Albania has a share of 2.2 percent, followed by other countries with lower share.

Liabilities within portfolio investments in the form of equity securities, which mainly belong to domestic banks, remain at low level (euro 0.5 million) due to the initial phase of the capital market development.

6. External Debt

Kosovo's gross external debt, which includes private and public[9] debt, in 2012, amounted to euro 1.5 billion which is for 6.4 percent higher compared to 2011. Kosovo's economy has the lowest level in the region in terms of debt burden. As a percentage to GDP, gross external debt at the end of 2012 amounted to 30.9 percent from 29.9 percent as ti was at the end of 2011 (Figure 31). Kosovo has a favourble position when compared to other countries of the region also due to the fact that public debt has a low share to

Figure 31. Gross external debt, in millions of euro

Source: CBK (2013)

total gross external debt (euro 401.4 million or 26.4 percent of gross external debt). As a percentage to GDP, public debt at the end of 2012 was only 8.2 percent. Conversely, private debt which reached euro 1.1 billion represents 73.6 percent of the gross external debt.

Most of the external debt belongs to the form of intercompany lending within FDI (Figure 31). Consequently, foreign companies which operate in Kosovo have laibilities to the external sector amounting to euro 589.7 million or 38.9 percent of total external debt. Direct investors from Slovenia and Turkey have mostly given to their companies operating in Kosovo, reaching 25.6 percent and 13.2 percent, respectively, of total loans to enterprises, followed by Switzerland and Albania with 3.0 and 2.6 percent, etc.

Figure 32. Gross external debt by sectors, in millions of euro

Source: CBK (2013)

With significant share in total external debt of Kosovo are also "other sectors"[10] (euro 350.9 million or 23.1 percent of external debt). The stock of other sectors debt is dominated by commercial loans (56.9 percent), while the remainder belongs to other loans (43.1 percent). The largest part of other sectros debt is short-term debt (90.5 percent), while the rest is long-term debt (9.5 percent).

Government external debt amounting to euro 336.5 million mainly is inherited debt implying that is long-term debt and comprises 22.2 percent of the gross external debt. Government debt comes mainly from the World Bank (66.4 percent), while the remainder is from IMF (33.6 percent). The increase of the government debt from 32.7 percent in 2012 compared to 2011 primarily is attributed to the loan from the IMF within the Stand-by-Arrangement program.

The stock of gross external debt of the banking system at the end of 2012 was euro 175.6 million or 11.6 percent of total external debt. This is short-term debt and most of it consists of non-

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[9] Within the public debt is included Government and the Central Bank, whereas within the private debt is included intercompany lendings within FDI, banking system, and other sectors.

[10] In the context of other sectors are included: pension funds, financial auxiliaries, insurance companies, non-government organizations, private companies, and individuals.

resident deposits with 68.6 percent, followed by loans with 28.6 percent, and 2.8 percent are other liablities. Central Bank has the lowest share in total external debt (euro 65.0 million or 4.3 percent of total external debt). Central Bank liabilities mainly belong to the stock allocations of the Special Drawing Rights (SDR) from IMF.

Kosovo's economy, with its funds invested abroad (privatization proceeds, KPST assets), is very active in international financial markets; therefore besides gross external debt, in assessing the sustainability of the international position, is important to analyze also the net external debt. Kosovo at the end of 2012 had a credit position of euro 875.5 million, which means that the external debt sector to the Kosovo's economy (euro 2.4 billion) is higher than the debt of Kosovo's economy to the external sector (euro 1.5 billion).

Figure 33. Net external debt by sectors, in millions of euro

Source: CBK (2013)

All sectors have credit position to the external sector except government and intercompany lendings (Figure 33). "Other sectors" have the highest credit position of euro 831.9 million followed by the Central Bank with euro 511.8 million and commercial banks with euro 458.0 million. While debit position of the government and intercompany lendings with an amount of euro 336.5 million and euro 589.7 million, respectively, is equal to their gross debt as these two sectors do not have assets invested abroad.

Special Topics

1. Determinants of Foreign Direct Investment in South-East European Countries (SEEC)

Bejtush Kiçmari[*]

Abstract

The objective of this research is to investigate the determinants of foreign direct investment inflows in South East European Countries. Identifying the determining factors of FDI is a complex issue that depends on several characteristics specific to countries, sectors, and companies. In order to address this issue, based on the underlying literature, there have been developed and tested hypotheses which include traditional variables and transition specific variables. Based on panel data estimation method to determine the main determinants of FDI, our results demonstrate that the choice of SEECs as a location for FDI by Multi-National Companies seems to be linked to market size, openness or the integration with the rest of the world, privatization of state-owned enterprise, market potential, and economic stability.

1.1. Introduction

The Organization for Economic Cooperation and Development in its Benchmark Definition of FDI, defines FDI as a long-term relationship by a resident entity in one economy (direct investor) in an economy other than that of the investor (direct investment enterprise), which has an influence on the management of the direct investment enterprise.

There are pros and cons about the importance of FDI. Consensus view in the literature and the relentless efforts of governments to attract more FDI suggests that perhaps, the benefits of FDI exceed significantly the costs in the social costs-benefit analysis. These benefits take the form of various types of externalities or spillovers. For instance, local firms may be able to improve their productivity as a result of forward or backward linkages with MNC affiliates; they may imitate MNC technologies, or hire workers trained by MNCs. The increase in competition that occurs as a result of foreign entry may also be considered a benefit, in particular if it forces local firms to introduce new technology and work harder (Blomström and Kokko, 2003). The effects of FDI although are confirmed as positive in most of the studies; however, the degree of such impact depends on the absorptive capacity of the host country, which depends on the level of human capital, infrastructure, financial and institutional development, and trade policies (Makki and Somwaru, 2004). However, there may be occasions where FDI could produce undesirable results. In small economies, large foreign companies can abuse their dominant market positions and, especially in developing countries, attempt to influence the domestic political process (Demekas et al., 2005). As a result of dominant position by foreign companies, FDI can create what Gardiner (2000) terms 'crowding out' effect, which is a scenario where foreign companies dominate the local market and stifle local competition and entrepreneurship. Moreover, according to him, technology transfer may be inappropriate to local needs and the associated activities may involve

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high environmental degradation. Demekas et al. (2005) and Gardiner (2000) in their studies argue that large investors are sometimes able to coax concessions from the host country's governments in return for locating investment there, and aggressively use transfer pricing to minimize their tax obligations and in this way MNEs can reduce the level of corporate income tax exacted by the host governments.

Despite this, the geographic pattern of FDI has changed in global level and within regions during the past decades. As suggested in UNCTAD report, shifts in the patterns of bilateral FDI relationship have occurred among developed countries, as well as in the relative importance of developed versus developing and transition economies. Transition economies accounted for 3.7 percent of global FDI inflows in 2011. SEE countries which are part of transition economies accounted for only 0.9 percent of global FDI inflows. Moreover, SEE countries generally are lagging behind Central European countries in attracting FDI. In SEE, most of the FDI inflows were driven by the privatization of State-owned enterprise and by large projects benefiting from low production costs in the region. Bulgaria, Romania, Croatia, Serbia, and Montenegro showed better performance in 2011 whereas countries that are lagging behind are Albania, Bosnia and Herzegovina, Kosovo, and Macedonia, where per capita FDI remains at relatively low levels.

Inspired by these differences in attracting FDI inflows and guided by the economic theory and empirical investigation on FDI, in this article are explained main determinants of FDI in SEEC by using panel data for years 2000-2011. Currently there is no general empirical-testable theory that can explain all kinds of FDI in all transition economies, despite considerable theoretical and empirical studies on this area. However, by analyzing the particular determinants of FDI one can conclude that the size of the market, abundant natural resources, low-cost labor, close proximity, and macroeconomic stability are the main factors through which one country can attract more FDI. Hence, it is crucial to specify an empirical model that allows for a combination of these determinants because, as Johnson (2006) points out, an empirical study of transition economies allows for analysing both traditional determinants of FDI such as market demand but also transition-specific determinants such as privatization since it may not be possible to explain the motives of FDI in these economies based on only one theory.

In what follows, this article gives detail on the empirical specification and data description, interpretation of empirical results, and last section summarizes our findings and suggest further developments of this research.

1.2. The empirical specification and the data

FDI does not have a single determinant and further, in different locations, we may have to consider different factors. In the case of transition economies, there seems to be factors associated with the transition process that play a significant role. The model which is utilized will include some general determinants as well as some of those determinants which have been found to be significant in transition economies.

This study uses panel data, mainly from World Bank and International Monetary Fund from year 2000 to 2011, in order to test the significance of different determinants of FDI in SEECs[11]. In order to make sure that our investigation would capture the effects of all possible determinants, we would try to use different combination of the independent variables. The baseline model with log-lin functional form can be expressed as:

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[1] Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Montenegro, Romania, and Serbia.

$$\text{LOG}FDI_{jt} = \beta_{1jt} + \beta_2 GDP_{jt} + \beta_3 RGDPG_{jt} + \beta_4 DIST_j + \beta_5 ULC_{jt} + \beta_6 COMF_{jt} + \beta_7 UNEMP_{jt} + \beta_8 OPEN_{jt} + \beta_9 PREV_{jt} + \beta_{10} SERV_{jt} + \varepsilon_{jt}$$

where, j stands for the country and t stands for the year.

LOG*FDI* denotes FDI net inflows, expressed in dollars as natural logarithm; *GDP* denotes real gross domestic production and it is used as a proxy for the size of host countries, expressed at current price in billions of dollars over years; *RGDPG* denotes annual real GDP growth rate and it represents a proxy for the market growth and market potential; *DIST* is the distance between the capital city of country j and Brussels in kilometers. The reason for choosing Brussels is that it is considered as capital city of Europe and according to UNCTAD (2007) 70% of region's greenfield FDI projects come from EU; *ULC* denotes unit labor costs which is calculated as the ratio of the monthly average wage in manufacturing sector to GDP per capita; *COMF* denotes communication facility and it is measured through fixed line phone subscribers per 100 people. The model also contains several transition-specific variables, including: *UNEMP*, which is used as a proxy for economic instability, denotes unemployment rate and it is measured as a percentage of total labor force; *OPEN* measures the openness of the host countries through share of imports and exports to GDP; *PREV* denotes cumulative privatization revenues as a share to GDP; and *SERV* denotes share of total service sector value added to GDP.

1.3. The hypotheses

The real GDP is used as a proxy for the size of the host country's market. The market size hypothesis as argued by most empirical studies is very important determinant for market-seeking or market oriented FDI, particularly, those in the banking and non-tradable sectors. A bigger market offers the opportunity for the exploitation of economies of scale and economic diversification (Chunlai, 1997). Therefore, the coefficient of GDP is expected to be positive and statistically significant. The real GDP growth rate (RGDPG) which is used as an index for the market potential and prospect is expected to be positively related to FDI inflows because faster growth rate has the tendency to attract more FDI. The relationship between FDI and distance is expected to be negative. Another variable which is expected to be negatively related to FDI is unit labor cost (ULC) because lower input costs in the host country should increase the profitability of the firm, hence FDI inflow. Communication facility (COMF) which is the last traditional variable in the model is expected to be positively related to FDI inflow because the existence of a developed and effective communication facility is necessary condition for the operations of an MNE.

Moreover, including only traditional variables in the model does not give the full picture in explaining the patterns of FDI inflows into SEECs. Therefore, some nontraditional variables are included into the model to address this shortcoming. Unemployment (UNEMP), used as an indicator of economic instability is expected to be negatively related to FDI because high and persistent economic instability creates uncertainties in the business environment. Openness (OPEN) shows how much is a country integrated to the global economy. Thus, FDI and the openness of the economy should be positively related to FDI especially in case of export-oriented or export-seeking FDI, but this coefficient can be negative if it is import substitution FDI. It is important to include cumulative privatization revenue as a share to GDP (PRIV) because, according to UNCTAD (2007), most of the FDI inflows in SEECs were driven by the privatization of State-owned enterprise. Thus, the privatization (PRIV) is expected to have a strong positive effect on the amount of FDI inflows that SEECs receives. Moreover, according to Škuflić and Botrić (2006) and UNCTAD (2007), FDI in the SEECs is predominantly directed toward the service sector, and is rarely connected with investment in the manufacturing sector. In order to capture this effect the variable SERV is included and it is expected to be positively related to FDI inflow.

1.4. Estimation of panel data regression models

In this section are estimated panel data regressions and are discuss empirical results. Analysis of panel data is used in order to gain more efficient estimation because it takes advantage of greater variation in the data, since variables vary in two dimensions: cross-section and time series. In order to choose the appropriate specification several tests were conducted.

First step is to select the best statistical model between the fixed effects (FE) and random effects (RE) model. The two statistical models differ mainly in their assumption concerning the intercept and error terms[12]. Here, it is tested the null hypothesis that the random effects u_i and regressors are uncorrelated and the appropriate test to use is Hausman test. The null hypothesis is that the preferred model is random effects vs. the alternative the fixed effects. Hausman specification test fails to reject the null hypothesis[13] since Chi-square statistic equal to 0.9 is higher than statistical significance at 5 percent. Another reason for choosing REM is the possibility to account for the distance separately. With this model individual specific constant term is seen as randomly distributed across cross-sectional unit. Yet, the main assumption of REM is that all group-specific factors which affect the dependent variable but are not included in the model as independent variables can be captured by a random error term.

Furthermore, in order to achieve the best statistical specification one should use not only test mentioned above but also diagnostic tests, which are difficult to obtain in panel data analysis because diagnostics for panel analysis are not well developed but they can still provide some useful information. Hence, we test for heteroscedasticity, normality, and autocorrelation.

Heteroscedasticity can be checked by plotting the residuals in order to see if they have constant mean and variance. The plot of residuals indicates that random variables have nearly the same finite variance i.e. residuals are nearly homoscedastic. Similarly, normality can be checked by plotting the residuals which seem to have bell-shaped distribution, although outliers are present (Figure Histogram of Residuals). When testing for autocorrelation one test for first order auto-regression in the residuals within a group, which is common in panel data analysis, since last time period's

values are likely to affect current values as well as the possibility of so-called spatial autocorrelation, whereby activities in one country affects neighboring country. But, there is inconclusive evidence regarding the presence or absence of positive first-order serial correlation since Durbin-Watson d statistics of 1.2 point lies between the lower (1.0) and upper (1.8) limit at 1 percent level of significance. Thus, the model is well-specified with respect to within-group residuals and as a result will give unbiased and consistent estimates.
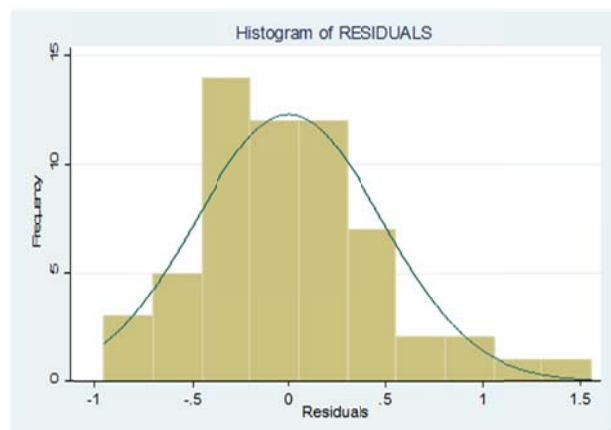
In the rest of this section, we discuss the economic interpretation of the model summarized in Table 1. As mentioned above, we use different combination of variables in order to check the robustness of the model. In the table below are reported the coefficients of REM estimated in log-lin functional form for

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[12] If it is assumed that error term can be decomposed into two independent elements $\varepsilon_{it} = u_i + v_{it}$ where u_i is the time-invariant and accounts for any unobservable country specific effects not included in the regression and v_{it} term represents the remaining disturbance, and varies over country and time. In the FE model the u_i's are fixed parameters to be estimated, while in the RE model, the u_i's are assumed to be random. Unlike the FE model, the RE model regulates unobservable effects into the error term and assumes that they are uncorrelated with regressors (Liu et al, 2000).

[13] If the Hausman test fails to reject the null hypothesis, it is most likely not because the true correlation is zero and, hence, that the random effects estimator is unbiased. Rather, it is that the test does not have sufficient statistical power to reliably detect departures from the null hypothesis.

four model specifications: traditional determinants; transition specific determinants; full specification; and the last model specification which exclude UNEMP and SERV[14]. According to the F-test and R^2 it can be said that the models are quite good because in all models, the F-test of the overall statistical significance of the models holds at 1 percent level and explanatory power of the models is quite high especially in the third and fourth model specification where, according to R^2, the explanatory variables together explain about 85 percent of the variation in FDI inflows to the sample countries.

Table 1. Determinants of FDI, Random effect models.

Independent variables	Dependent variable = natural logarithm of FDI net inflow (LOG*FDI*)			
	-1	-2	-3	-4
	Traditional variables	Transition-specific variables	Full specification	Full specification without UNEMP and SERV
Constant	20.15***	14.70***	18.84***	21.29***
	-1.193	-2.19	-2.609	-1.284
GDP	0.01***		0.03***	0.04***
	-0.002		-0.006	-0.004
RGDPG	0.06**		0.05**	0.06**
	-0.024		-0.027	-0.026
DIST	0		0	-0.001*
	0		-0.001	-0.001
ULC	-0.23***		-0.05	-0.19***
	-0.054		-0.078	-0.049
COMFA	0.058***		0.02	0.01
	-0.01		-0.014	-0.014
UNEMP		-0.09***	-0.04**	
		-0.02	-0.021	
OPEN		0.04***	0.01*	0.01*
		-0.008	-0.008	-0.006
PREV		0.03*	0.04**	0.05***
		-0.021	-0.014	-0.014
SERV		0.08**	0.02	
		-0.037	-0.027	
R^2	0.67	0.67	0.86	0.85
No. of observations	91	59	59	59

Standard error in parentheses
The symbols ***, **, and * denote statistical significance at p<0.01, p<0.05, and p<0.1 percent level, respectively.

Initially the effects of the traditional variables on FDI inflows are analysed. GDP, functioning as a proxy for the size of the host country's market, in all specifications has expected positive sign and it is significant at 1 percent level. It is quite robust, meaning that slight changes in the model specification do not affect the sign and significance of this variable. Therefore, this variable is consistent with our hypothesis that a larger host country's market attracts larger volumes of FDI inflows providing support for market-seeking FDI. Interpreting this coefficient, based on third model specification, will indicate that an increase of 1 billion of dollars in GDP will result in, on average, about 3.0 percent increase in the dollars net inflow of FDI, holding all the other variables constant.

The real GDP growth rate (RGDPG), a proxy for the market growth and market potential, has the *a priori* sign and it is significant at 5 percent level of significance. In simple terms, *ceteris paribus,* 1 percentage point increase in the growth rate of real GDP will results, on average, in about 5.0 percent increase in dollars net inflow of FDI. The DIST variable is included in order to check whether it provides support for the importance of market-seeking FDI, but in all specification the coefficient of this variable is statistically insignificant and has the wrong sign in the first model,

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[14] UNEMP and SERV seem to be correlated with the GDP, DIST, COMF, and ULC variables. Therefore, we run a regression without these variables, and it does influence the result of the other variable. For example it has increased the significance of ULC and DIST which previously were not significant.

except in the fourth model specification where it has the expected sign and it is significant at 10 percent level of significance. Consequently, there is not sufficient information that distance between host country and Brussels has a significant impact on determining FDI inflow to the SEECs. In other words, FDI is not gravitated towards Brussels.

Unit labor cost (ULC) is another traditional variable that is used in connection with the efficiency-seeking motive for FDI. ULC has the expected negative sign and it has a statistically significant coefficient at 1 percent level in first and fourth model specification whereas in combination with transition-specific determinants (third model specification) its coefficient is not significant. More specifically, an increase of 1 percentage point in ULC will result in average about 5 percent fall in the dollars net inflow of FDI, holding all the other variables constant. One explanation that this coefficient is not significant could be that lower wages cannot be the main attractor for FDI since FDI within the SEECs is not concentrated in the manufacturing sector. In addition, the service sector, the main attractor of wages, records higher than average wages, and requires more skilled labor than does the manufacturing sector. Another explanation could be that the period analyzed in this study does not cover the first phase of transition and as Demekas et al. (2005) argue, the size of the domestic market and cheap labor are among the most important determinants of FDI, but as the country succeeds in attracting more FDI the importance of these factors decline.

The last traditional variable, communication facility (COMF), which is hypothesized to be a necessary condition for the operations of an MNE, has the expected positive sign but it is significant only in first model specification not in combination with transition-specific determinants. The reason that this variable is insignificant might be that fixed line phone subscribers is not a good proxy for the communication facility due to development of other forms of communication.

Finally, we continue with transition-specific determinants of FDI which are included in order to take the special characteristics of the SEECs into account and which should be important for FDI inflows irrespective of whether FDI is market-, resource-, or efficiency-seeking. Variables reflecting the economic instability (UNEMP), the degree of openness (OPEN), privatization revenue (PREV), and service sector (SERV) are considered as potential determinants of FDI, which generally seem to play an important role in explaining the distribution of FDI across SEE economies because all variables are significant and have the expected signs.

More specifically, economic instability proxied by unemployment (UNEMP) has the expected negative sign and it is significant at 1 percent level in second model specification whereas in the combination with transition-specific variables the significance of this variable reduces at 5 percent level of significance. This is in line with our hypothesis that high and persistent economic instability creates uncertainties in the business environment. More precisely, 1 percentage point increase in UNEMP will result in, on average, about 4 percent less in dollars net inflow of FDI, holding all the other variables constant.

The degree of openness (OPEN) proxied by the ratio of imports and exports to GDP has the expected positive sign and it is significant in all specification. Therefore, this variable is consistent with our hypothesis which suggests that the openness of the economy should be positively related to FDI especially in case of export-oriented or export-seeking FDI. In other words, countries having higher trading shares to GDP also attract more FDI. Interpreting this coefficient will indicate that 1 percentage point increase in the ratio of import and export to GDP will lead, on average, to about 1 percent increase in dollars net inflow of FDI, holding all the other variables constant. This finding is explained by the fact that trade and investments complement each other. Bevan and Estrin

(2000) argue that countries that have more trade liberalization tend to export more, and this situation represents an attractive opportunity for foreign firms.

Privatization (PREV) is an important determinant for transition economies because it creates opportunities for attracting FDI. The coefficients of this variable are significant and have the expected positive signs in all model specifications. Moreover, the significance of this coefficient increases in combination with traditional determinants which support the fact that most of the FDI inflows in SEECs were driven by the privatization of state-owned enterprise. This finding is consistent with our hypothesis that privatization have a strong positive effect on the amount of FDI inflows that SEECs receives. The interpretation is that economies which have made more privatization of state-owned enterprises attract larger FDI inflows. More precisely, 1 percentage point increase in privatization revenue as a share to GDP will lead, on average, to about 4 percent increase in dollars net inflow of FDI, holding all the other variables constant.

The fact that service sector (SERV) plays an important role in attracting FDI inflow in the SEECs is supported by our results only in the second model specification where the coefficient of this variable is significant at 5 percent level. In third model it is insignificant due to correlation with DIST and COMFA. Therefore, based on our model, we do not have sufficient information to suggest that service sector attract more FDI than other sectors.

1.5. Conclusions

Despite the increase in FDI inflow in SEE economies the large differences between this region and other transition economies remains. Moreover, the differences in individual SEE economies' ability to attract FDI inflows are apparent. Inspired by these differences in attracting FDI inflows and guided by the economic theory and empirical investigation on FDI, this article distinguishes between two main groups of determinants: 'traditional' and 'transition-specific'.

The specified model is a static panel data model for years 2000-2011 which reveals that market size and market potential are the most important economic determinants of FDI inflow in the SEECs. Therefore, it seems that market-seeking is an important motive for FDI inflow. On the other hand, investigating the importance of efficiency-seeking is problematic since our model reveals not significant relationship between FDI and unit labor cost. This is because FDI in SEECs are predominantly directed toward the service sector which requires more skilled labor than does the manufacturing sector as well as the fact that period analysed in this study does not cover the first phase of transition where cheap labor is among the most important determinants of FDI inflow. Also, distance and communication facility, as traditional determinants, are found to be insignificant in inducing the inflows of FDI in SEECs.

Transition-specific variables should have the same effect on the market-seeking and/or efficiency-seeking type of FDI. In line with this argument, the analysis shows that these variables do not change much in combination with traditional variables. In more details, the effect of economic instability was found to have a significant negative effect in attracting FDI. Moreover, the results of previous analyses that the extent of openness or the integration with the rest of the world plays an important role in attracting FDI inflow to SEECs are confirmed. This research suggests that inflows of FDI to the SEE economies can be explained by the privatization of state-owned enterprise since the significance of privatization coefficient increases in combination with traditional determinants of FDI. By contrast to the evidence of some sources that FDI in the SEECs is predominantly directed toward the service sector, and is rarely connected with investment in the manufacturing sector, this research does not provide sufficient information to suggest that service sector attract more FDI than other sectors.

It must be noted that other political, social, and institutional factors such as commitments to the rule of law and good governance, quality of labor force, progress in institutional reforms, business climate, etc, are not analysed in this study. This does not mean that they have no impact on the inflows of FDI. It is simply because of the difficulties of access to and unavailability of the relevant data. Findings in this research allow offering a number of policy recommendations for SEECs which can be used as a guiding framework in their efforts to attract more FDI inflow. First of all, government action is unlikely to be able to generate market-seeking FDI. Instead, governments should make sure that there is progress in transition process. Furthermore, policies aimed at trade liberalization are important in fostering economic integration which may offer a market in the region with population of about 54 million people. Finally, proper organization of the privatisation process, and increase in economic stability are necessary conditions for attracting more FDI inflow.

2. Trade finance and its role during the financial crisis

Zana Gjocaj[*]

Abstract

This study relates to the trade financing and its impact on trade maintenance worldwide prior and during the last financial crisis. With the increase of need for trade financing in recent years it is also increased the interest on analyzing the role of institutions providing trade financing services. During the financial crisis years, the commercial banks were concentrated on credit market segments incurring less risk, tightening the trade financing and consequently worsening the global trade developments. These developments made space for intervention of public institutions, namely the regional development banks, export crediting agencies and multilateral agencies, which filled in the gaps left by commercial banks and facilitated the renewal of global markets. Given that the empiric work to estimate the trade financing impact during the crisis years was limited due to the lack of qualitative and quantitative data in this area, the following analysis will rely on the available descriptive data and on numerous questionnaires conducted by relevant institutions15 during this period. The questionnaire-based results suggest that the hesitation of commercial banks to provide trade financing instruments during 2008 and 2009 had an impact on worsening of the global trade developments. Perception for improvement of the trade financing activity in the years to come mainly reflects the engagement of the other public character institutions in assisting the revitalization of the global trade.

2.1 Introduction

As from 1983, the trade financing has impacted on constant review of the trade financing developments worldwide.16 There are various definitions as to what the trade financing covers, given that the requirements in international trade for all participants in market have changed over the years. The most general definition of trade financing consists on the management of necessary capital to enable and facilitate the international market exchange. Thus, the trade financing through institutions possessed by financiers in the market establishes how and when cash, credits, investments and other assets can be used to facilitate the trade exchange worldwide. Also, the trade financing includes the purchase of insurances or bonds from the market participants in order to manage the international trade risk. Trade financing represents a crucial factor to the trade development, given that 80 to 90 percent of transactions in global trade also include one or another form of loan, bonds or insurance. The role of trade financing is irreplaceable especially for developing countries since it provides an easier integration into the global trade through facilitation to access finances. Trade financing is important both for the demand and for the supply in market, namely both for the exporters and for the importers.

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[15] IMF; BAFT – IFSA (*eng. Bankers Association for Finance and Trade: BAFT; International Financial Services Association: IFSA); ICC (eng. International Chamber of Commerce*)

[16] Trade Finance Magazine, Financial Intelligence for Global Trade, 2012

However, if we take into consideration that exports are more sensitive against the financial system risks, since the international transactions usually require more time for execution, then the developments of financial trade provision support the theory that suggests that exporters are the largest users of financial trade products compared to importers.

Trade financing is traditionally provided mainly by commercial banks, and more the banking system in a country is developed, more financing instruments will possesss the respective market. Commercial banks cover around 80 percent of transactions in the global trade. Therefore, the financial crisis that affected banks, especially in the Eurozone countries, was followed a deficit in liquidity, thus impacting on the increase of trade financing cost. Also, the financial crisis and public debt crisis made banks in Europe be short of Dollar currency (the main currency in global trade), which impacted on further increase of the trade financing cost.

Figure 1. The activity vlaue of trade finance

Source: Surveys (2009 - 2012) , ICC

Consequently, the last financial crisis made the world economy lean on financings aiming at triggering the production growth, given that during this period it was pointed out the weight which the global trade contraction had in real economy. Different regulators and relevant institutions providing trade financing attempted to assess the role of the trade financing market segment during the crisis years, as well as to measure the demand and supply for these products in market during that period, but the difficulties to obtain qualitative and timely data made these estimations impossible.

Despite numerous efforts made by multilateral banks, development banks, state agencies, businesses and other relevant institutions providing trade financing to gather and distribute information, there is no clear overview of the trade financing segment prior and during the crisis years. Therefore, a particular challenge for all relevant institutions remains the improvement of collection of data on trade as well as of the data on transnational banking transactions.

The following analysis will rely on the data that were available for trade financing as provided by multilateral and development banks as well as in numerous surveys conducted by different financial institutions as from the beginning of financial crisis in 2008. To inform the World leaders in the G-20 meeting in the first economic summit, the International Chamber of Commerce (ICC), upon the request of World Trade Organisation (WTO), started compiling global questionnaires. The first questionnaire was issued in 2009 and included 122 banks in 59 countries, whereas the last questionnaire, included in this study, was the 2012 questionnaire and included 229 banks in 110 different countries. The majority of countries included in questionnaire were the developing countries.

The ICC questionnaires indicated that 59.0 percent of participants had perceived a decline in the trade financing activity from 2008 to 2009. On the other hand, 41.0 percent of participants stated that the value of trade financing activity increased during the same period (Figure 1). The participation of respondents who considered that the trade financing activity decreased recorded a significant decline between the years 2009-2010 to 14.0 percent, whereas 86.0 percent of respondents considered that this activity recorded a growth. A similar trend continued also in the period 2010-2011, where the respondents who perceived a decline of the trade financing activity
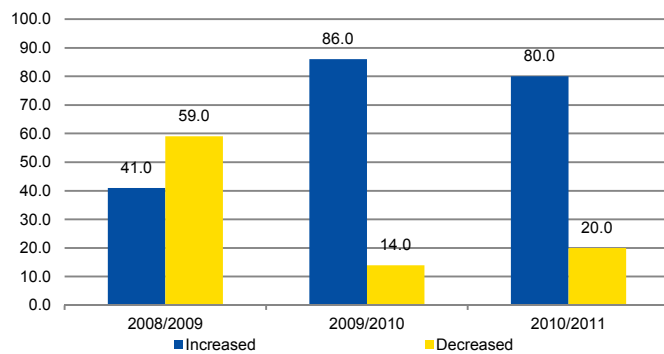
increased their share to 20 percent, whilst 80 percent of them considered that the trade financing activity increased. The increase of the number of respondents who consider that the trade financing activity increased since 2010 onwards mainly reflects the improvement of economic environment in general and the trade volume in particular.

According to the data collected by Dealogic17, the total trade financing global volume in 2009 was USD 166.1 billion, which in accordance with the financial system development worldwide and the outcome of ICC questionnaires reflected a decline of the trade financing volume worldwide from 47.3 percent compared to 2008. In 2010, the trade financing volume in World reached at USD 170.5 billion, which represents an annual growth of 2.6 percent compared to 2009. Reaching the amount of USD 180.9 billion in 2011, the trade financing activity recorded an annual growth of 6.1 percent, which reflects a re-stabilization of the global trade in general, and also of the effects of trade financing package proposed by G-20, the implementation of which is expected during a two-year period. As far as 2012 is concerned, reaching at USD 171.0 billion, the global trade financing volume recorded an annual decline of 5.5 percent compared to 2011. The trade financing decline in this period according to organization Dealogic reflects a decline of the trade volume in general during this period.

During 2009, when all global financial institutions faced the financial crisis effects, the trade financing was not considered as a segment of a particular importance and thus it did not succeed to be included in the compact agenda for immediate assistance from G-20. However, the decline of global trade volume driven by the deficit of necessary liquidity (availability of trade financing products) impacted in re-evaluation of priority segments. The trade financing gap, which represents the change between the demand for trade financing and its supply was meant to be around USD 300 billion. Out of this amount, the participating countries in G-20 had initially allocated only USD 25 billion to cover the gap. However, it was immediately noticed that the deficit of trade financing is weighting on the global trade by significantly holding back the growth, and consequently this is being reflected on the real economy having chain consequences throughout the economy. Therefore, G-20 amended the decision by providing USD 250 billion for trade financing by the end of 2009. G-20 financial support to cover the trade financial gap mitigated to some extent the consequences of hesitation of banks to finance the global trade.

Figure 2. International trade products in banks (for exports)
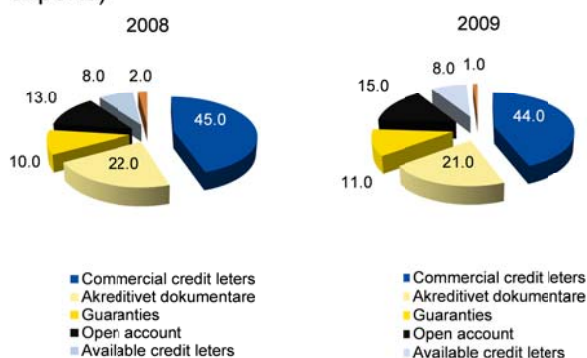
Source: Surveys (2009 - 2012) , ICC

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[17]Dealogic is a regional organization gathering data mainly from investment banks (global and regional) to improve their competition and performance through their analyses and rating worldwide.

2.2. Assessments from the questionnaires

Given that the specific data on trade financing are insufficient, some large questionnaires have been conducted by some institutions during the recent years. The questionnaire conducted by IMF in cooperation with BAFT (Bankers Association for Finance and Trade) has supported the views on hesitation of banks to provide trade financing instruments during 2008/2009 and have reemphasized the growth of trade financing cost during this period.[18] Also, the ICC questionnaires have pointed out that the trade financing has reached the lowest point in the first half of 2009, following the credit tightening and the increase of control by banking system. During 2010, around 42 percent of respondents perceived a decrease of the trade lines, namely for corporations. At the same time, 40 percent of respondents stated a decrease of credit lines for financial institutions. In 2011, this perception changed to around 69 percent of respondents who estimated an increase of credit lines for corporate trade, whereas 53 percent for other institutions. The questionnaire reflecting developments in 2012 also shows an increase of the share of respondents who perceive an increase of credit lines for corporate trade and for financial institutions (Table 1).

The last financial crisis pointed out the important role the trade financing has in global trade development trends and as a significant promoter to the economic development in general. This analysis basically relied on the available descriptive data as well as on the data from the ICC questionnaires implemented as from 2008. During the financial crisis years, the financial system worldwide was characterized by a deficit of liquidity, which was reflected on the limitation of supply of the commercial banks, especially for the most demanded trade financing instruments, namely the short-term credit

Figure 3. International trade products in banks (for exports)
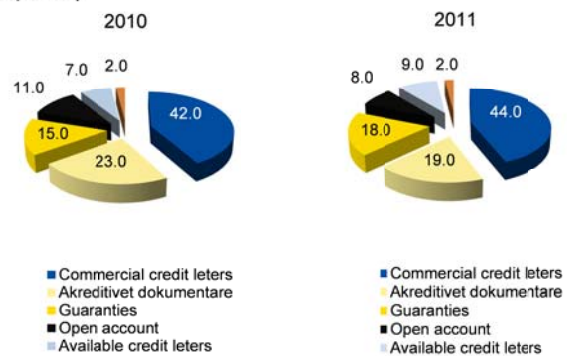
Source: Surveys (2009 - 2012) , ICC

Figure 4. International trade products in banks (for imports)
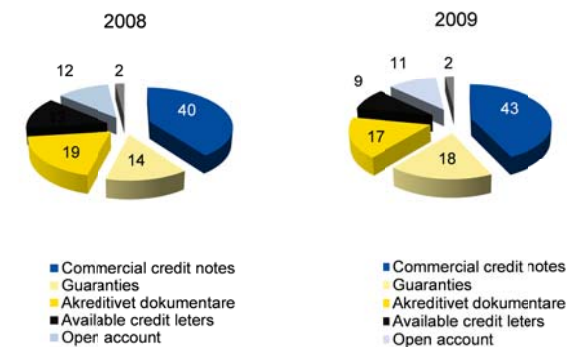
Burimi: Anketat (2009 - 2012) , ICC

Figure 5. International trade products in banks (for imports)

Source: Surveys (2009 - 2012) , ICC

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[18] Trade Finance Monitor: IMF/BAFT Trade Finance Survey, 2008 - 2011.

lines, bonds and other insurances. While the assessment of limitation level of trade financing supply from banking system was impossible due to the lack of qualitative and timely data, the results obtained from the questionnaires indicated a decline of trade financing activity during 2008 and 2009 and a gradual improvement in the following years.

Based on the results from the ICC questionnaires, the commercial letters of credit as a product with the highest share in total international trade products in banks decreased their share in 2010, whereas bonds had increased their share during the same period. This may reflect mainly the impacts of the first package to support the trade financing as approved by the G-20, which package was mainly consisted of bonds provided by export crediting agencies and the other multilateral agencies in order to avoid economic or political risk during trading transactions.

Regarding the regional countries and Kosovo, essentially banks are those providing traditional products of trade financing, while an important role in this direction was also played by the regional bank for development (EBRD) through its projects. The trade financing products in SEE are mostly oriented for imports, which also reflect the structure of economy in these countries. Kosovo is expected to benefit also from the ERBD trade facilitation program, where short-term loans and bonds, and the insurance of transactions for countries wishing to make business in Kosovo will influence on mitigation of the economic and political risk assessment ratio in the region.

Given that banks provide trade financing in form of loans as well as guarantees and insurances of short term maturity (of up to 2 years), this type of financing faced a deeper decline compared with guarantees and insurances of mid-term maturity (of 2 to 5 years) and long term ones (of 5 to 10 years). One reason that could explain this development is the fact that short term guarantees*- and insurances are mainly provided by commercial banks, so the overall tightening of supply of

Figure 6. The change of fees by banks for international trade products

Source: Surveys (2009 - 2012) , ICC

banking system for trade financing weighed more on these guarantees and insurance, on the other hand, crisis weighed less on medium and long term maturities as these instruments were mainly provided by development banks and other semi-public or public agencies, like export credit agencies. Regional development banks and export credit agencies, having the support of their respective governments as public entities, played an important role in providing guarantees for larger transactions with longer maturity at the time when commercial banks were sceptical to offer.

Data from the survey conducted by the ICC shows that while other international trade products such as commercial credit letters, open account and available letters of credit have been more sensitive to the effects of the financial and economic crisis, export guarantees had a higher participation (Figure 2). Guarantees had also increased their share in terms of international products that banks have offered for imports (Figure 3). Regarding financing costs, participants in surveys of the ICC in 2009 declared an increase in the cost of funding of approximately 42.3 per cent for guarantees, letters of credit available and letters of credit documentary (Figure 4). As for 2010, the share of the survey participants who evaluated that banking products had higher costs dropped to an average of 36.0 per cent for the three categories under observation. In 2011 and 2012, the majority of participants in the survey assessed that the bank tariffs on

international trade products had not changed (about 73 per cent of the survey participants in 2011 and 65.3 per cent in 2012 answered this way) (Figure 5).

Trade financing of medium-term and long term maturity is mainly offered by other funding agencies such as export credit agencies (Export Credit Agencies: ECA), development banks, multilateral agencies, etc.., whose objective is trade facilitation, insurance transactions, promoting exports and creating new jobs.

2.3 Agencies for Credit Export

Development banks do mainly play the role of a facilitator by programs designed to promote trade in providing guarantees. While export credit agencies ECA have as their objective the promotion of foreign trade by offering the necessary financial products to local companies that do business in foreign trade. These agencies can be private, public or a combination of both, and offer loans supported by the government, guarantees and insurance for domestic enterprises that want to do business, especially in countries under development that are considered high-risk (economic and political) for

Figure 7. The change of fees by banks for international trade products
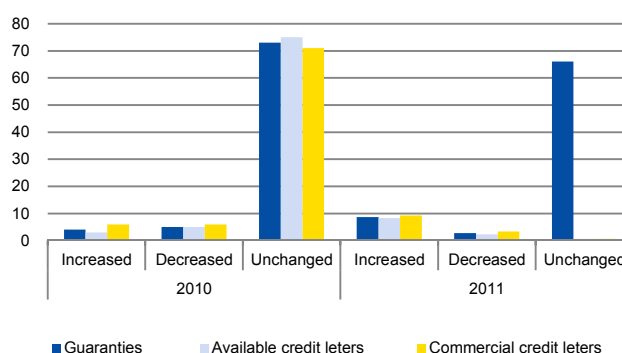
Source: Surveys (2009 - 2012) , ICC

traditional financing. Unlike commercial banks that seek return on their loans or insurances, the export credit agencies as officially part of the government or as semi-state agencies require the return of operating costs only. These agencies support over 10 per cent of global trade and dominate the market of long-term and mid- term maturity contracts such as major infrastructure projects in countries under development[19]. According to the latest data of Dealogic, ECA financing volume reached 78.4 billion dollars in the first nine months of 2012, a substantial increase compared to the amount of 44.1 billion dollars in the same period of 2011.

Export credit agencies have faced persistent criticism by alleging that they offer nothing different from other government sectors of the countries they operate and that in fact only subsidize exports. Therefore, in the period before the financial and economic crisis, many market analysts have recommended their privatization and independence from government to ensure greater transparency in their proper operation and monitoring. However, these views changed radically after the recent financial crisis, since it was their character as public institutions that filled the spaces left by private institutions such as banks, to ensure exports and provide guarantees and loans. These agencies played an important role in stabilizing the trade finance market, thus helping in reducing credit risk and enabling exporters to open an account in a competitive market environment characterized by an increased systemic risks. Given that export credit agencies are established mainly in developed countries, they helped overcome significant reduction of supply of trade finance products in developed countries and those under development.

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[19]**Export Credit Agencies to the Rescue of Trade Finance,** Jean-Pierre Chauffour, Christian Saborowski, 2010

2.4 Trade Finance in Eastern Europe

Commercial banks in Southeast Europe (SEE) countries offer different guarantees such as insurance offer, payment guarantees, guarantees on liabilities, advance payment guarantees, custom guarantees, warranties of quality, guarantees of complaint, etc. However, the most common instruments of trade finance are documentary letters of credit as the most common form of commercial letters of credit. This instrument provides a commitment of the bank to the buyer (importer) that will make the payment to the seller

Figure 8. Financial institutions share in investments portfolio and total value of projects

Source: EBRD (2013)

(exporter) of a certain amount within a certain period of time after the buyer has fulfilled all the conditions required for a documentary letter of credit. This instrument and guarantees, in most countries of the region that mainly support importers reflect also the structure of the SEE economies that relies mainly on imports.

Regarding development banks and their impact on the CEE region, the European Bank for Reconstruction and Development, EBRD has assisted with its program called Trade Facilitation Programme. This program provides short-term loans and guarantees to commercial banks in countries that are members of the EBRD, taking over political and economic risks of commercial transactions. In 2011, the EBRD had invested in SEE[20] with 78 projects in total, which reached the value of 1.1 billion euros. Higher participation in EBRD investments for 2011, per number of investment projects as well as per value invested in these projects had Serbia (28 investment projects worth 526 million euros), followed from Macedonia (12 projects worth $ 220 million). Kosovo was not a member of the EBRD in 2011, while Montenegro in this period had the lowest number of projects invested by the EBRD (5 projects worth $ 43 million). Regarding the investment portfolio, an average of 20.9 per cent of the projects was destined for financial institutions in the form of short-term loans and guarantees (Figure 8).

2.5 Trade Finance in Kosovo

Even in the Kosovo banking sector, all commercial banks offer traditional trade finance instruments such as letters of credit, documentary letters of credit, guarantees, documentary deposits, etc. After documentary letters of credit, guarantees remain an important instrument of trade financing in the country (Figure 9). Guarantees may be in the form of bid guarantees, payment

Figure 9. Structure of the banking products for trade finance

Source: CBK (2013)

guarantee, guarantees of obligation, advance payment guarantee, customs guarantee, guarantee

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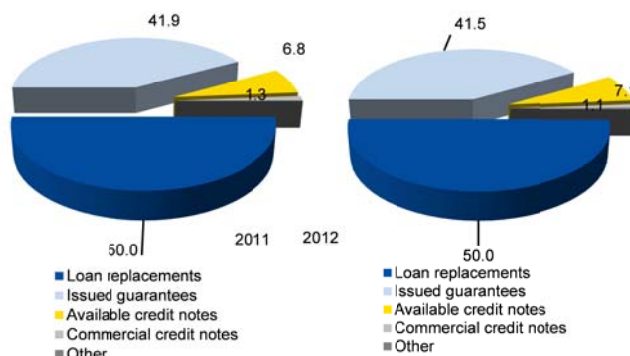
[20]Vendet e EJL përfshijnë: Serbinë, Maqedoninë, Malin e Zi, Bosnjën, Kroacinë dhe Shqipërinë.

on quality, guarantee of complaint and guarantee on the credit line. Guarantees offered by commercial banks in the country are mainly guarantees of import, which reflects the structure of the economy of the country.

Trade financing through commercial banks is considered to have high costs both in Kosovo and in the countries of the region, mainly due to the perception of a higher risk level from the relevant domestic institutions and foreign financial institutions. Therefore, trade financing through other agencies such as development banks or other governmental organizations remains the most favoured option in Kosovo as well as in other SEE countries.

Since December 2012, Kosovo officially became a member of the EBRD. For many years, the EBRD was the only development bank that invested in Kosovo, considering that the first project of this bank in the country was signed in November 1999. EBRD, among other things, provides trade facilitation programs for member countries, which is expected to spur further growth and development of foreign trade of Kosovo. This program strengthens the ability of banks in the country to offer trade financing (through loans and guarantees), and through these banks facilitate business access to trade financing. Also, through this program, the EBRD provides guarantees to international banks undertakeing economic and political risks of international transactions of banks operating in the country. As a result, banks in the country will benefit from the guarantees EBRD provides for their commercial transactions with banks abroad. As a member of the EBRD, Kosovo is expected to benefit directly by the trade facilitation program through short-term loans and guarantees, but also indirectly as the EBRD provides insurance transaction for countries that want to do business with Kosovo either for importers and exporters by alleviating estimates for the highest degree of political risk in the region.

In mid-2008, a public Belgian organization that provides insurance to Belgian companies and banks against political and economic risks in international transactions (mainly capital goods and industrial projects) called ONDD (The Office National du ducroire: ONDD) provided coverage for short-term export transactions in Kosovo. The limit is set at 15 million euros for short-term transactions and special transactions in cash and 120 million euros for long-term transactions and investments. According to the deal, in case of transactions with public entities, additional guarantee will be asked by the Ministry of Economy and Finance, as well as for economic risk 50% of the premium will be required. For transactions financed by short term loans, no bank guarantee will be required. According to ONDD's, short-term transactions are estimated to have an average mark against political risk (4 of 7 representing the highest risk level and 1 representing the lowest). Meanwhile, to long-term transactions is given the highest level of political risk, i.e. 7. However, after the proclamation of independence in 2008, with the changes in political circumstances, perceptions of political risk in Kosovo has changed, this had to be reflected in the estimates of this organization also. Regarding economic risk, exporting transactions in Kosovo's economy were estimated of a lower risk, which consists to the perception of gradual improvement of the economic climate of Kosovo. Regarding foreign direct investment, the organization assessed the risk that may come from war or similar conflict to the grade 4, the risk of potential expropriation of the company and government intervention with grade 5 and the risk of transfer with 6 (Figure 9).

Such initiatives by various governmental or private organizations aiming through their programs and projects to assist the Kosovo market with trade financing or guarantees would impact on the reliability of the country's exports and increase their competition on international markets. This will affect in decreasing the current perceived level of risk in Kosovo, and bring direct benefit to all sectors in the country.

Figure 10. ONDD political and economic risk assessment of the Kosovo's economy
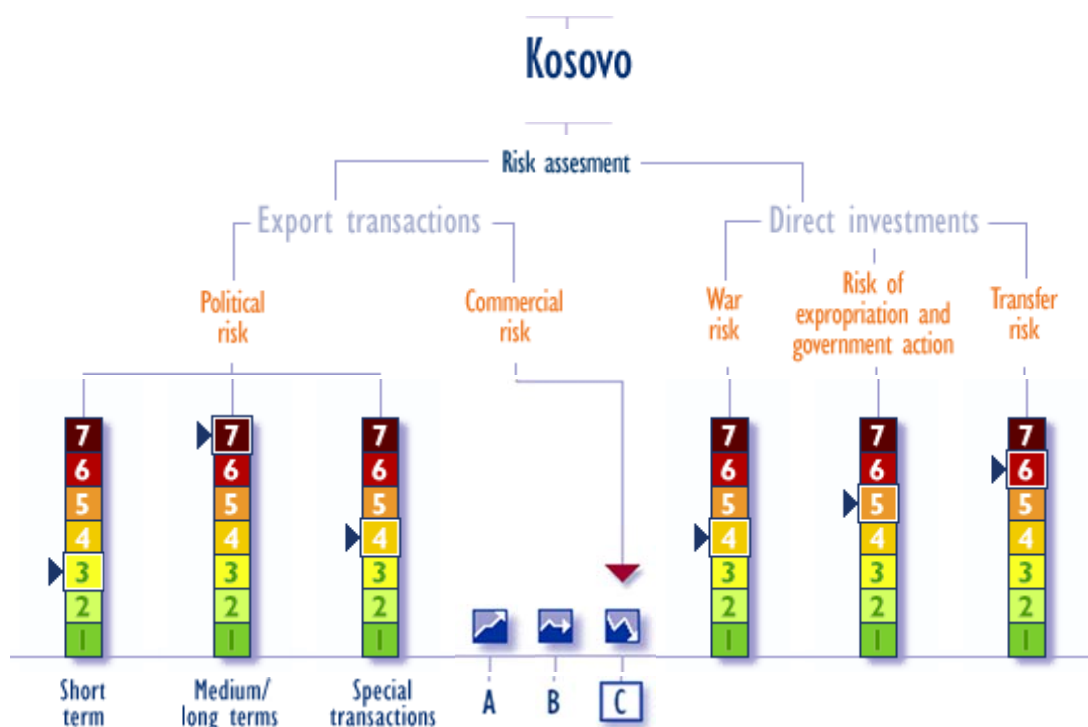
Source: ONDD (2013)

2.6. Conclusion

The recent financial crisis highlighted the important role that trade financing has in the trends of the development of the global trade as an important driver of the economic development in general. This analysis is based primarily on descriptive data available, as well as data from surveys of the ICC, implemented since 2008. During the financial crisis, the global financial system was characterized by a lack of liquidity, which was reflected in the limited supply of commercial banks, especially in the instruments required for the financing of trade such as short-term credit lines, guarantees and other insurances. While the assessment of the level of offer restriction of trade financing from the banking system was impossible due to the absence of quality data, the results of surveys have shown a decline in trade financing activities during 2008 and 2009 and gradual improvement in the coming years.

Based on the survey results of the ICC, commercial credit notes as the product with the highest share in total international trade products in the banks had reduced their share by 2010, while the guarantees had increased their share in the same period. This may reflect primarily the effects of the first package in order to support trade financing approved by the G20, a package which primarily consists of guarantees provided by crediting agencies of exports and other multilateral agencies to avoid economic or political risk in commercial transactions.

Regarding Kosovo and the region countries, mainly banks are the ones that offer traditional products of the trade finance, while important role in this regard has had the regional development bank EBRD through its projects. Trade finance products in SEE are mainly oriented to imports, which also reflects the structure of the economy in these countries. Kosovo is

expected to benefit from trade facilitation program provided by the EBRD, where short-term loans and guarantees, and the insurance of transactions for countries that aim to do business with Kosovo will have an impact in softening the assessment degree of the economic and political risk in the region.

7. Statistical appendix

1. Balance of payments

(Non-cumulative data, in millions of euro)

Description	Current account	Goods and services	Goods	Services	Income	Current transfers	Capital and finanical account	Capital Account	Financial Account	Net errors and omissions
2004	-208.2	-1,001.4	-983.1	-18.3	138.3	654.9	79.4	21.9	57.6	128.8
2005	-247.5	-1,086.9	-1,078.5	-8.3	139.1	700.3	72.7	18.9	53.8	174.8
2006	-226.1	-1,144.1	-1,173.1	29.0	158.8	759.2	-14.9	20.8	-35.7	240.9
2007	-214.0	-1,242.3	-1,352.9	110.5	186.3	842.0	10.7	16.5	-5.8	203.3
2008	-460.9	-1,498.2	-1,649.7	151.6	164.0	873.2	298.9	10.5	288.5	162.0
2009	-374.2	-1,419.4	-1,651.7	232.3	61.8	983.4	213.3	100.3	113.1	160.4
2010	-515.7	-1,565.2	-1,752.1	186.9	67.0	982.5	297.2	21.3	275.9	217.6
2011	-658.4	-1,793.3	-2,059.0	265.7	113.8	1,021.1	419.6	42.0	377.5	239.6
2012	-380.3	-1,726.7	-2,073.0	346.2	154.1	1,192.3	140.0	13.0	127.1	239.4
Q1	-52.6	-260.7	-319.5	58.8	20.9	187.2	-14.3	-0.5	-13.8	66.8
Q2	-135.4	-362.0	-420.0	58.0	26.4	200.2	134.1	4.0	130.1	1.2
Q3	-110.5	-378.4	-448.2	69.8	3.0	265.0	-35.2	5.0	-40.2	145.6
2009 Q4	-75.8	-418.3	-464.0	45.7	11.5	331.0	128.8	91.9	36.9	-53.1
Q1	-57.9	-276.9	-313.7	36.8	23.7	195.3	14.7	4.7	10.0	43.1
Q2	-137.5	-390.4	-443.1	52.7	24.3	228.6	146.0	3.7	142.3	-8.7
Q3	-191.7	-450.4	-514.6	64.2	-1.5	260.2	6.5	6.9	-0.5	185.1
2010 Q4	-128.5	-447.5	-480.7	33.2	20.6	298.4	130.0	6.0	124.0	-2.0
Q1	-38.5	-308.3	-382.0	73.8	41.9	227.9	9.5	13.3	-3.8	28.9
Q2	-164.5	-446.2	-514.1	67.9	30.0	251.7	216.7	6.0	210.7	-51.4
Q3	-196.7	-494.3	-557.4	63.1	21.2	276.4	-17.4	6.3	-23.8	214.1
2011 Q4	-258.7	-544.5	-605.5	61.0	20.6	265.1	210.8	16.4	194.4	47.9
Q1	-20.9	-325.5	-372.9	47.4	37.4	267.2	12.9	-0.9	13.8	7.5
2012 Q2	-120.9	-467.4	-548.8	81.4	44.4	302.1	78.3	2.5	75.8	42.1
Q3	-143.6	-482.8	-612.1	129.3	20.3	318.9	-27.7	-1.7	-26.0	171.4
2012 Q4	-94.9	-451.0	-539.1	88.1	52.0	304.1	76.8	13.0	63.8	18.1

2. Services – net

(Non-cummulative data, in millions of euro)

Description	Balance	Transport	Travel	Communications services	Constructions services	Insurance services	Financial services	Computer and information services	Royalties and licence fees	Other business services	Personal, cultural, and recreational services	Government services, n.i.e.
2004	-18.3	-28.1	27.0	12.0	1.0	-7.2	-1.6	-2.9	-1.7	-99.0	-0.3	82.4
2005	-8.3	-29.4	36.9	7.4	0.6	-7.4	-1.8	-4.1	-1.3	-91.1	-1.1	83.1
2006	29.0	-26.8	56.7	28.9	-0.8	-5.6	-2.4	0.2	0.2	-103.7	-0.2	82.4
2007	110.5	-19.2	96.6	42.1	-17.3	-8.7	-4.4	-2.8	-1.7	-55.2	-0.1	81.2
2008	151.6	-40.0	125.0	42.1	3.2	-12.1	0.1	-5.2	-3.2	-46.1	0.1	87.6
2009	232.3	-39.1	195.5	58.3	10.7	-9.6	3.5	-1.5	-3.0	-62.9	0.7	79.7
2010	186.9	-44.1	222.1	49.0	-20.2	-12.8	3.2	-3.7	-2.1	-60.6	-0.2	56.4
2011	265.7	-53.4	235.7	77.0	-5.3	-17.1	-0.8	-0.3	-0.4	-22.0	0.7	51.6
2012	346.2	-50.9	309.3	48.3	11.0	-4.0	-1.4	-0.9	-0.2	3.8	0.3	30.9
Q1	58.8	-8.1	46.7	12.6	0.8	-3.5	4.2	-0.3	0.4	-15.0	0.2	20.9
Q2	58.0	-10.6	49.6	12.1	3.7	-1.8	...	-0.6	-2.6	-12.8	-0.1	21.0
Q3	69.8	-8.5	47.4	19.0	4.0	0.1	-0.5	-0.7	-0.3	-10.7	0.3	19.7
2009 Q4	45.7	-11.9	51.9	14.6	2.3	-4.4	-0.2	...	-0.5	-24.4	0.3	18.1
Q1	36.8	-8.1	41.2	11.9	-1.9	-3.3	0.2	-0.2	-1.7	-14.7	-2.1	15.4
Q2	52.7	-9.4	49.3	12.5	...	-3.8	0.0	0.2	-0.6	-10.7	-1.5	16.6
Q3	64.2	-13.1	75.4	13.2	-10.2	-0.4	2.2	-1.9	0.2	-15.0	0.8	13.1
2010 Q4	33.2	-13.4	56.2	11.4	-8.0	-5.3	0.8	-1.9	...	-20.3	2.6	11.2
Q1	73.8	-9.4	53.2	22.8	-3.1	-3.8	-0.3	...	-0.1	0.9	0.1	13.4
Q2	67.9	-14.7	65.5	17.7	-3.8	-5.9	...	0.2	-0.1	-4.9	0.6	13.1
Q3	63.1	-15.1	58.0	19.0	2.7	-2.5	-0.3	-0.4	-0.1	-10.9	...	12.6
2011 Q4	61.0	-14.3	59.0	17.5	-1.2	-5.0	-0.2	-0.1	-0.1	-7.2	...	12.5
Q1	47.4	-8.7	40.8	11.8	-2.8	-5.1	-0.1	-0.4	-0.2	3.8	...	8.2
2012 Q2	81.4	-15.1	68.7	11.7	3.6	-4.1	-0.2	-0.4	0.0	8.4	...	8.9
Q3	129.3	-16.9	126.9	13.5	6.4	-2.4	-0.5	...	...	-5.0	0.1	7.3
2012 Q4	88.1	-10.2	72.9	11.3	3.8	7.6	-0.5	...	...	-3.4	0.2	6.4

3. Services – credit

(Non-cummulative, in millions of euro)

Description	Credit	Transport	Travel	Communications services	Constructions services	Insurance services	Financial services	Computer and information services	Royalties and licence fees	Other business services	Personal, cultural, and recreational services	Government services, n.i.e.
2004	246.8	22.4	73.4	27.3	10.1	7.6	1.9	1.4	...	16.7	0.7	85.2
2005	265.0	22.3	88.2	31.5	14.6	7.6	1.8	2.0	...	10.5	0.6	86.0
2006	319.0	22.8	109.3	48.9	14.0	10.2	2.1	2.8	0.3	22.2	0.9	85.4
2007	369.9	31.6	146.4	56.6	2.9	11.5	1.5	1.8	0.1	32.4	0.6	84.7
2008	392.4	29.0	177.6	55.9	8.9	12.1	2.7	1.4	0.5	13.6	0.8	90.0
2009	517.6	30.1	277.3	70.5	15.7	14.8	5.3	2.0	1.2	18.6	0.8	81.4
2010	573.0	31.2	326.8	77.0	6.4	15.5	3.7	2.6	0.6	41.8	4.5	62.7
2011	618.5	28.6	337.3	94.6	13.7	13.9	0.3	2.3	0.0	74.6	1.7	51.6
2012	635.1	29.1	382.4	70.3	22.4	25.3	0.6	0.1	0.1	61.6	0.3	42.9
Q1	113.9	6.6	55.5	15.9	3.4	2.5	4.6	0.3	0.9	2.6	0.3	21.5
Q2	126.3	6.7	67.2	16.7	4.9	2.9	0.7	0.3	0.1	5.8	...	21.0
Q3	157.5	9.6	89.6	20.5	4.7	7.0	...	0.2	0.2	5.7	0.4	19.8
2009 Q4	119.9	7.2	65.0	17.5	2.7	2.5	0.1	1.2	...	4.5	0.2	19.1
Q1	103.7	6.9	53.6	16.2	0.8	2.3	0.3	0.4	0.2	6.8	0.2	16.0
Q2	136.2	9.8	73.0	17.6	1.1	3.1	0.1	0.9	...	12.9	0.4	17.3
Q3	192.9	7.3	128.4	20.6	2.5	7.2	2.3	0.2	0.3	7.9	1.0	15.2
2010 Q4	140.2	7.2	71.8	22.6	2.0	3.0	1.0	1.1	0.1	14.3	2.9	14.2
Q1	136.4	7.6	63.7	26.3	1.0	2.5	0.2	0.7	...	20.2	0.8	13.4
Q2	146.4	4.9	80.9	25.4	0.7	2.3	...	0.8	...	17.3	0.9	13.1
Q3	197.0	8.5	121.1	22.1	8.3	5.5	0.1	0.2	...	18.7	...	12.6
2011 Q4	138.7	7.6	71.6	20.8	3.6	3.6	0.1	0.5	...	18.3	...	12.5
Q1	106.6	6.6	49.6	16.0	1.2	2.6	...	0.1	...	18.6	...	11.9
2012 Q2	147.0	5.8	83.2	16.4	4.0	4.4	...	0.1	0.1	21.6	...	11.3
Q3	227.3	5.6	166.7	18.7	10.0	7.2	0.1	...	...	9.3	0.1	9.6
2012 Q4	154.2	11.1	82.9	19.1	7.2	11.1	0.5	...	...	12.0	0.2	10.1

4. Services − debit

(Non-cummulative data, in millions of euro)

Description	Debit	Transport	Travel	Communications services	Constructions services	Insurance services	Financial services	Computer and information services	Royalties and licence fees	Other business services	Personal, cultural, and recreational services	Government services, n.i.e.
2004	-265.1	-50.5	-46.4	-15.3	-9.1	-14.8	-3.5	-4.3	-1.7	-115.7	-1.0	-2.8
2005	-273.3	-51.7	-51.3	-24.1	-14.0	-14.9	-3.6	-6.1	-1.3	-101.6	-1.7	-2.9
2006	-289.9	-49.6	-52.5	-20.0	-14.8	-15.8	-4.5	-2.5	-0.1	-125.9	-1.1	-3.0
2007	-259.4	-50.9	-49.8	-14.5	-20.2	-20.2	-5.9	-4.5	-1.8	-87.5	-0.7	-3.5
2008	-240.8	-69.0	-52.6	-13.8	-5.7	-24.2	-2.5	-6.5	-3.7	-59.6	-0.7	-2.4
2009	-285.3	-69.2	-81.8	-12.2	-5.0	-24.4	-1.8	-3.5	-4.1	-81.5	-0.1	-1.7
2010	-386.1	-75.3	-104.7	-28.0	-26.6	-28.4	-0.4	-6.3	-2.7	-102.5	-4.7	-6.4
2011	-352.8	-82.0	-101.6	-17.5	-19.0	-31.0	-1.1	-2.6	-0.4	-96.6	-1.0	0.0
2012	-288.8	-80.0	-73.0	-22.0	-11.4	-29.2	-2.0	-1.0	-0.3	-57.8	0.0	-12.0
Q1	-55.1	-14.7	-8.8	-3.3	-2.7	-6.0	-0.4	-0.6	-0.5	-17.6	-0.1	-0.6
Q2	-68.3	-17.3	-17.6	-4.6	-1.2	-4.7	-0.7	-0.9	-2.7	-18.7	-0.1	…
Q3	-87.7	-18.1	-42.2	-1.5	-0.7	-6.9	-0.5	-0.9	-0.5	-16.4	-0.1	-0.1
2009 Q4	-74.2	-19.2	-13.1	-2.8	-0.5	-6.9	-0.3	-1.2	-0.5	-28.9	0.1	-1.0
Q1	-66.9	-15.0	-12.4	-4.3	-2.7	-5.6	0.0	-0.6	-1.9	-21.5	-2.2	-0.6
Q2	-83.6	-19.2	-23.7	-5.1	-1.1	-6.9	-0.1	-0.6	-0.6	-23.6	-1.9	-0.7
Q3	-128.6	-20.5	-53.0	-7.4	-12.7	-7.6	-0.1	-2.1	-0.2	-22.8	-0.2	-2.0
2010 Q4	-106.9	-20.7	-15.6	-11.3	-10.0	-8.3	-0.2	-3.0	0.0	-34.5	-0.3	-3.1
Q1	-62.6	-16.9	-10.5	-3.5	-4.1	-6.3	-0.5	-0.7	-0.1	-19.3	-0.7	…
Q2	-78.5	-19.6	-15.3	-7.7	-4.5	-8.2	…	-0.6	-0.1	-22.2	-0.3	…
Q3	-134.0	-23.6	-63.1	-3.1	-5.6	-7.9	-0.3	-0.7	-0.1	-29.6	…	…
2011 Q4	-77.7	-21.8	-12.6	-3.3	-4.8	-8.6	-0.3	-0.6	-0.1	-25.5	…	…
Q1	-59.2	-15.3	-8.8	-4.2	-4.0	-7.7	-0.1	-0.5	-0.2	-14.9	…	-3.7
2012 Q2	-65.5	-20.9	-14.5	-4.8	-0.4	-8.5	-0.2	-0.5	-0.1	-13.2	…	-2.4
Q3	-98.0	-22.6	-39.8	-5.2	-3.6	-9.6	-0.6	…	…	-14.3	…	-2.3
2012 Q4	-66.1	-21.4	-9.9	-7.8	-3.4	-3.5	-1.1	…	…	-15.4	…	-3.7

5. Income

(Non-cummulative data, in millions of euro)

Description	Balance	Credit			Debit		
			Compensation of employees	Investment income		Compensation of employees	Investment income
2004	138.3	158.4	143.0	15.4	-20.1	-0.7	-19.4
2005	139.1	170.5	145.9	24.5	-31.4	-0.7	-30.7
2006	158.8	187.8	147.3	40.5	-29.0	-0.7	-28.3
2007	186.3	235.7	155.6	80.1	-49.4	-0.8	-48.7
2008	164.0	233.3	176.2	57.1	-69.3	-0.8	-68.5
2009	61.8	182.5	169.7	12.9	-120.7	-1.0	-119.8
2010	67.0	176.9	176.1	0.8	-109.8	-4.5	-105.3
2011	113.8	241.3	221.2	20.1	-127.5	-13.1	-114.4
2012	154.1	230.5	219.9	10.6	-76.4	-5.6	-70.8
Q1	20.9	43.1	38.7	4.4	-22.2	-0.2	-22.0
Q2	26.4	52.3	47.1	5.2	-25.9	-0.2	-25.7
Q3	3.0	45.8	44.1	1.7	-42.8	-0.3	-42.5
2009 Q4	11.5	41.3	39.7	1.6	-29.8	-0.3	-29.5
Q1	23.7	46.1	46.5	-0.4	-22.4	-0.9	-21.5
Q2	24.3	41.5	42.7	-1.2	-17.2	-0.9	-16.3
Q3	-1.5	42.7	41.8	0.9	-44.2	-1.5	-42.7
2010 Q4	20.6	46.6	45.1	1.5	-26.0	-1.2	-24.8
Q1	41.9	56.7	52.6	4.1	-14.7	-2.4	-12.3
Q2	30.0	64.8	58.8	5.9	-34.7	-3.0	-31.7
Q3	21.2	62.4	57.5	5.0	-41.2	-3.3	-37.9
2011 Q4	20.6	57.4	52.3	5.2	-36.8	-4.3	-32.6
Q1	37.4	59.4	55.6	3.8	-21.9	-2.5	-19.4
2012 Q2	44.4	58.3	55.2	3.2	-13.9	-1.6	-12.4
Q3	20.3	56.4	53.7	2.7	-36.1	-0.7	-35.4
2012 Q4	52.0	56.5	55.4	1.1	-4.5	-0.9	-3.5

6. Current transfers

(Non-cummulative data, in millions of euro)

Description	Balance	Credit			Debit		
			Central government	Other transfers		Central government	Other transfers
2004	654.9	823.8	379.5	444.2	-168.8	-7.6	-161.2
2005	700.3	859.0	354.1	504.8	-158.7	-6.2	-152.4
2006	759.2	885.1	327.4	557.7	-125.9	-7.5	-118.4
2007	842.0	935.2	251.4	683.8	-93.1	-6.3	-86.8
2008	873.2	972.3	223.5	748.8	-99.1	0.0	-99.1
2009	983.4	1,106.8	322.9	783.9	-123.4	0.0	-123.4
2010	982.5	1,087.4	319.5	767.9	-105.0	0.0	-105.0
2011	1,021.1	1,133.6	322.2	811.4	-112.5	0.0	-112.5
2012	1,192.3	1,296.4	401.6	894.9	-104.1	0.0	-104.1
Q1	187.2	214.4	56.9	157.5	-27.2	0.0	-27.2
Q2	200.2	231.9	59.7	172.2	-31.6	0.0	-31.6
Q3	265.0	297.0	76.7	220.3	-32.0	0.0	-32.0
2009 Q4	331.0	363.5	129.6	233.9	-32.5	0.0	-32.5
Q1	195.3	221.0	65.2	155.8	-25.7	0.0	-25.7
Q2	228.6	253.3	72.3	181.0	-24.7	0.0	-24.7
Q3	260.2	286.5	65.7	220.8	-26.3	0.0	-26.3
2010 Q4	298.4	326.7	116.4	210.3	-28.3	0.0	-28.3
Q1	227.9	255.1	79.4	175.7	-27.2	0.0	-27.2
Q2	251.7	280.8	86.6	194.2	-29.1	0.0	-29.1
Q3	276.4	304.6	81.7	222.9	-28.2	0.0	-28.2
2011 Q4	265.1	293.0	74.5	218.5	-27.9	0.0	-27.9
Q1	267.2	293.5	102.1	191.5	-26.3	0.0	-26.3
2012 Q2	302.1	328.2	118.7	209.5	-26.0	0.0	-26.0
Q3	318.9	345.2	93.3	251.9	-26.4	0.0	-26.4
2012 Q4	304.1	329.5	87.5	242.0	-25.4	0.0	-25.4

7. Financial account – net

(Non-cummulative data, in millions of euro)

Description	Balance	Direct investments				Portfolio invetments		Other investments					Financial derivatives	Reserve assets
			Equity capital	Reinvested earnings	Other capital transactions				Trade credit	Loans	Currency and deposits	Other assets		
2004	57.6	42.9	30.4	9.1	3.5	-32.1	-66.0	63.4	3.7	-133.1	-	-	112.7
2005	53.8	107.6	65.6	16.8	25.2	-17.5	-68.7	64.1	24.1	-156.9	-	-	32.4
2006	-35.7	289.2	185.6	24.8	78.8	-65.4	-181.6	31.5	7.7	-220.8	-	-	-77.9
2007	-5.8	431.0	276.4	41.6	113.0	-34.5	-108.0	50.8	9.4	-168.2	-	-	-294.3
2008	288.5	341.5	197.4	56.2	88.0	-109.9	75.2	66.4	47.1	-38.3	-	-	-18.2
2009	113.1	280.9	200.6	57.2	23.2	-124.4	-138.3	38.6	-64.8	-171.5	59.5	-	94.8
2010	275.9	331.1	223.1	73.3	34.7	-49.2	47.4	167.1	82.3	-202.0	-	-	-53.4
2011	377.5	378.9	271.6	58.0	49.4	-57.0	-5.7	93.3	-40.4	-58.6	-	-	61.2
2012	127.1	216.3	141.3	48.6	26.4	-184.9	363.0	100.3	-11.9	276.8	-2.2	-	-267.2
Q1	-13.8	59.1	36.6	14.9	7.7	-65.5	35.8	-31.5	17.8	49.5	-	-	-43.2
Q2	130.1	62.1	42.5	14.1	5.5	-15.1	55.2	37.0	20.1	-1.9	-	-	27.9
Q3	-40.2	81.2	63.1	16.4	1.7	-33.8	-7.4	20.6	16.7	-104.2	59.5	-	-80.1
2009 Q4	36.9	78.5	58.4	11.8	8.3	-9.9	-221.9	12.4	-119.4	-114.9	-	-	190.2
Q1	10.0	61.0	33.2	15.3	12.5	-18.4	-24.1	-8.9	-5.8	-9.4	-	-	-8.5
Q2	142.3	42.9	41.2	14.0	-12.3	-6.6	147.5	89.4	15.6	42.5	-	-	-41.5
Q3	-0.5	111.4	73.2	20.6	17.5	1.7	29.1	76.2	40.7	-87.8	-	-	-142.6
2010 Q4	124.0	115.8	75.5	23.3	17.0	-25.9	-105.1	10.4	31.8	-147.3	-	-	139.2
Q1	-3.8	81.7	65.2	5.8	10.7	-52.9	28.4	-9.3	2.1	35.6	-	-	-60.9
Q2	210.7	98.6	67.3	11.4	20.0	-49.5	133.3	46.5	-22.3	109.1	-	-	28.2
Q3	-23.8	105.8	91.9	12.6	1.2	-8.6	-118.3	25.8	-37.3	-106.8	-	-	-2.6
2011 Q4	194.4	92.9	47.2	28.2	17.5	54.0	-49.1	30.4	17.0	-96.5	-	-	96.5
Q1	13.8	55.0	29.7	10.6	14.7	-80.8	47.6	-45.9	-45.5	139.1	-	-	-8.0
2012 Q2	75.8	23.5	12.2	6.4	4.9	37.0	32.2	63.2	-3.2	-27.8	-	-	-16.9
Q3	-26.0	88.5	32.3	28.7	27.4	-163.2	254.8	69.5	17.2	168.1	-	-	-206.2
2012 Q4	63.8	46.3	67.1	-0.1	-20.6	22.1	31.7	13.5	22.9	-2.6	-2.2	-	-36.2

8. Financial account – investments in reporting economy

(Non-cummulative data, in millions of euro)

Description	Investments in Kosovo										
		Direct investments				Portfolio investments in Kosovo		Other investments			
			Equity capital	Reinvested earnings	Other capital transactions			Trade credit	Loans	Currency and deposits	Other liabilities
2004	105.0	42.9	30.4	9.1	3.5	-	62.0	49.1	15.3	-2.4	.
2005	180.2	107.6	65.6	16.8	25.2	-	72.6	51.9	17.2	3.6	.
2006	331.8	294.8	191.2	24.8	78.8	-	37.0	26.3	10.7	0.0	.
2007	502.7	440.7	286.1	41.6	113.0	0.0	61.9	51.7	13.9	-3.6	.
2008	516.3	366.5	222.3	56.2	88.0	0.0	149.8	77.2	48.5	24.2	.
2009	343.7	291.4	211.1	57.2	23.2	0.5	51.8	41.5	-72.7	23.5	59.5
2010	678.7	365.8	257.8	73.3	34.7	-0.7	313.6	171.8	101.5	40.2	.
2011	471.4	394.6	287.2	58.0	49.4	0.8	76.0	93.1	-15.8	-1.3	.
2012	449.4	232.0	157.1	48.6	26.4	0.7	216.6	100.3	19.4	97.0	-
Q1	54.5	62.5	40.0	14.9	7.7	0.1	-8.1	-30.3	26.7	-4.5	.
Q2	131.0	64.6	44.9	14.1	5.5	0.1	66.3	38.3	8.6	19.5	.
Q3	175.0	83.4	65.3	16.4	1.7	0.1	91.6	20.1	11.0	0.9	59.5
2009 Q4	-16.9	80.9	60.9	11.8	8.3	0.1	-97.9	13.4	-119.0	7.6	.
Q1	100.7	69.5	41.7	15.3	12.5	-0.2	31.3	-5.0	9.4	27.0	.
Q2	155.6	47.5	45.8	14.0	-12.3	-0.2	108.3	90.7	16.5	1.1	.
Q3	233.8	118.2	80.1	20.6	17.5	-0.2	115.7	76.9	43.2	-4.3	.
2010 Q4	188.7	130.6	90.3	23.3	17.0	-0.2	58.2	9.3	32.4	16.5	.
Q1	68.5	83.4	67.0	5.8	10.7	0.2	-15.1	-10.7	3.4	-7.8	.
Q2	174.2	102.0	70.6	11.4	20.0	0.2	72.0	47.6	-1.0	25.4	.
Q3	104.4	111.3	97.5	12.6	1.2	0.2	-7.1	25.8	-35.0	2.1	.
2011 Q4	124.3	97.8	52.2	28.2	17.5	0.2	26.2	30.4	16.9	-21.1	.
Q1	-8.3	56.7	31.4	10.6	14.7	0.2	-65.2	**-45.9**	-38.7	19.5	.
2012 Q2	89.5	29.9	18.6	6.4	4.9	.	59.6	63.2	-3.7	0.1	.
Q3	239.4	92.3	36.1	28.7	27.4	.	147.1	69.5	38.1	39.5	.
2012 Q4	129.1	50.2	71.0	-0.1	-20.6	0.5	78.3	13.5	26.9	37.9	-

9. Financial account – investments abroad

(Non-cummulative data, in millions of euro)

Description	Investments abroad	Direct investments			Portfolio invetments	Other investments					Financial derivatives	Reserve assets
		Equity capital	Reinvested earnings	Other capital transactions			Trade credit	Loans	Currency and deposits	Other assets		
2004	-47.4	…	…	-	-	-32.1	-128.0	14.2	-11.7	-130.6	.	-	112.7
2005	-126.5	…	…	-	-	-17.5	-141.3	12.2	6.9	-160.5	.	-	32.4
2006	-367.5	-5.6	-5.6	-	-	-65.4	-218.7	5.2	-2.9	-220.9	.	-	-77.9
2007	-508.5	-9.7	-9.7	-	-	-34.5	-170.0	-0.9	-4.5	-164.6	.	-	-294.3
2008	-227.8	-25.0	-25.0	-	-	-109.9	-74.7	-10.8	-1.4	-62.5	.	-	-18.2
2009	-230.6	-10.5	-10.5	-	-	-124.8	-190.1	-3.0	7.9	-195.0	.	-	94.8
2010	-402.9	-34.7	-34.7	-	-	-48.6	-266.2	-4.7	-19.2	-242.2	.	-	-53.4
2011	-93.9	-15.7	-15.7	-	-	-57.8	-81.7	0.3	-24.6	-57.3	.	-	61.2
2012	-322.3	-15.8	-15.8	-	-	-185.7	146.4	0.0	-31.3	179.8	-2.2	-	-267.2
Q1	-68.3	-3.4	-3.4	-	-	-65.6	44.0	-1.2	-8.9	54.1	.	-	-43.2
Q2	-0.9	-2.5	-2.5	-	-	-15.3	-11.1	-1.3	11.6	-21.4	.	-	27.9
Q3	-215.2	-2.2	-2.2	-	-	-34.0	-98.9	0.5	5.7	-105.2	.	-	-80.1
2009 Q4	53.8	-2.5	-2.5	-	-	-10.0	-124.0	-1.0	-0.5	-122.5	.	-	190.2
Q1	-90.7	-8.5	-8.5	-	-	-18.3	-55.4	-3.8	-15.2	-36.4	.	-	-8.5
Q2	-13.4	-4.6	-4.6	-	-	-6.5	39.2	-1.3	-0.9	41.4	.	-	-41.5
Q3	-234.2	-6.9	-6.9	-	-	1.9	-86.6	-0.7	-2.5	-83.5	.	-	-142.6
2010 Q4	-64.6	-14.8	-14.8	-	-	-25.7	-163.3	1.1	-0.6	-163.8	.	-	139.2
Q1	-72.3	-1.8	-1.8	-	-	-53.1	43.5	1.4	-1.3	43.4	.	-	-60.9
Q2	36.5	-3.4	-3.4	-	-	-49.7	61.3	-1.1	-21.3	83.7	.	-	28.2
Q3	-128.2	-5.5	-5.5	-	-	-8.8	-111.2	.	-2.2	-109.0	.	-	-2.6
2011 Q4	70.1	-5.0	-5.0	-	-	53.8	-75.3	.	0.2	-75.4	.	-	96.5
Q1	22.1	-1.7	-1.7	-	-	-81.0	112.8	.	-6.8	119.6	.	-	-8.0
2012 Q2	-13.7	-6.4	-6.4	-	-	37.0	-27.4	.	0.4	-27.9	.	-	-16.9
Q3	-265.4	-3.7	-3.7	-	-	-163.2	107.7	.	-20.9	128.6	.	-	-206.2
2012 Q4	-65.3	-3.9	-3.9	-	-	21.5	-46.7	-	-4.0	-40.5	-2.2	-	-36.2

10. Remittances - by channels

(Non-cummulative data, in millions euro)

Description	Total	Banks	MTC	Other
2004	357.0	.	.	.
2005	418.0	.	.	.
2006	467.1	135.1	184.7	147.3
2007	515.6	137.1	198.7	179.8
2008	608.7	126.3	213.1	269.3
2009	585.7	148.8	213.1	223.8
2010	584.3	141.3	213.1	229.9
2011	584.8	139.7	225.3	219.8
Q1	121.8	32.4	46.3	43.1
Q2	142.2	30.9	53.3	58.0
Q3	174.7	58.0	53.0	63.7
2009 Q4	146.9	27.5	60.5	58.9
Q1	120.7	34.1	46.3	44.1
Q2	145.0	33.4	53.3	56.2
Q3	165.0	43.8	53.0	65.6
2010 Q4	153.6	30.1	60.5	64.0
Q1	125.1	30.3	50.1	44.7
Q2	138.2	25.2	55.1	57.9
Q3	164.9	48.9	55.7	60.3
2011 Q4	156.6	35.2	64.5	56.9
Q1	119.1	23.3	47.1	48.7
2012 Q2	142.4	21.8	55.0	65.6
Q3	175.2	56.3	52.0	66.9
2012 Q4	168.9	35.6	64.5	68.8

11. Remittances – by countries

(Non-cummulative data, in millions of euro)

Description	Germany	Switzerland	Italy	Austria	Belgium	USA	Sweden	France	Norway	Canada	England	Danmark	Finland	Holand	Slovenia	Other
2008	37.7%	15.9%	13.1%	6.2%	2.8%	2.8%	3.7%	3.9%	1.9%	2.2%	1.5%	1.9%	1.1%	1.2%	1.4%	2.6%
Q1	34.9%	21.4%	10.5%	5.3%	3.7%	3.5%	3.3%	3.4%	2.6%	1.6%	1.6%	1.0%	1.1%	1.1%	1.0%	4.2%
Q2	39.4%	19.7%	11.3%	6.1%	2.9%	2.6%	2.9%	4.0%	2.4%	1.8%	1.3%	0.9%	0.9%	1.2%	1.4%	1.5%
Q3	37.4%	21.2%	9.8%	6.0%	2.8%	2.6%	3.5%	3.8%	2.8%	2.1%	1.3%	0.9%	1.1%	1.0%	1.5%	2.2%
2009 Q4	38.1%	22.0%	9.8%	5.5%	2.8%	2.3%	3.2%	3.9%	3.2%	1.9%	1.3%	0.8%	1.1%	1.2%	1.3%	1.7%
Q1	34.8%	21.0%	8.8%	5.7%	2.6%	3.9%	3.1%	3.5%	2.8%	1.3%	1.5%	0.9%	1.1%	1.1%	3.4%	4.4%
Q2	34.7%	20.7%	7.9%	3.9%	2.9%	4.7%	3.1%	3.6%	3.1%	2.0%	1.7%	0.6%	0.7%	1.0%	3.7%	5.9%
Q3	33.2%	21.4%	7.0%	6.5%	2.5%	4.8%	3.4%	4.0%	2.5%	2.3%	1.6%	0.6%	0.9%	1.0%	5.6%	2.7%
2010 Q4	34.1%	21.6%	7.2%	5.5%	2.9%	3.1%	3.7%	4.1%	2.6%	1.9%	1.3%	0.6%	0.7%	1.0%	4.5%	5.3%
Q1	32.7%	23.7%	7.5%	5.6%	2.8%	4.6%	3.8%	3.8%	2.8%	1.5%	1.5%	0.7%	0.8%	1.2%	3.9%	3.0%
Q2	32.8%	23.0%	7.0%	5.5%	2.0%	4.0%	3.1%	3.7%	2.8%	2.1%	1.3%	0.9%	1.0%	1.0%	3.9%	6.1%
Q3	33.8%	23.4%	6.2%	5.5%	2.9%	2.3%	3.6%	4.2%	2.6%	2.0%	1.2%	0.6%	0.8%	1.0%	3.3%	6.7%
2011 Q4	33.7%	22.1%	7.4%	5.5%	2.7%	3.9%	3.4%	3.8%	2.7%	1.9%	1.4%	0.7%	0.8%	1.0%	4.0%	4.9%
Q1	30.9%	23.7%	4.8%	6.0%	1.1%	6.3%	3.6%	2.8%	4.9%	0.7%	3.2%	0.8%	0.7%	0.4%	5.0%	5.0%
2012 Q2	37.4%	26.3%	8.4%	6.4%	6.6%	3.9%	0.8%	0.4%	1.3%	0.1%	1.9%	0.1%	0.1%	0.1%	5.4%	0.8%
Q3	34.6%	22.6%	7.9%	5.9%	3.2%	3.9%	3.1%	3.2%	2.8%	1.5%	1.7%	0.7%	0.8%	0.8%	3.6%	3.7%
2012 Q4	34.5%	21.0%	8.5%	6.2%	2.6%	3.8%	3.3%	3.3%	2.3%	1.9%	1.8%	0.5%	0.7%	0.0%	3.7%	5.9%

12. Foreign direct investments – by activity

(Non-cummulative data, in millions of euro)

Description	Total	Financial services	Production	Real estate	Transport and telecommunication	Electricity	Mining	Contruction	Processing industry	Agriculture	Trade services, cleaning, collection	Advising, operation, research	Sanitarian activity	Other
2007	100.0%	23.1%	9.0%	7.0%	29.3%	0.6%	9.4%	1.2%	8.0%	1.8%	2.9%	1.0%	2.9%	3.8%
2008	100.0%	34.9%	6.0%	16.8%	13.8%	4.5%	4.7%	3.7%	8.5%	2.3%	2.7%	0.6%	0.6%	0.9%
2009	100.0%	25.5%	17.1%	14.9%	7.4%	2.9%	2.4%	12.0%	2.4%	4.4%	5.5%	0.9%	0.8%	3.8%
Q1	100.0%	16.8%	18.4%	19.0%	10.2%	0.0%	1.0%	17.5%	10.5%	1.5%	2.6%	1.4%	0.9%	0.3%
Q2	100.0%	27.1%	18.7%	9.7%	0.0%	0.1%	0.2%	15.9%	11.0%	0.1%	5.7%	4.8%	1.9%	4.8%
Q3	100.0%	22.0%	2.7%	10.5%	5.0%	0.2%	9.6%	38.4%	5.6%	0.1%	2.4%	1.8%	0.0%	1.8%
2010 Q4	100.0%	11.8%	39.3%	14.3%	0.8%	0.2%	0.3%	27.8%	0.3%	0.8%	2.5%	1.3%	…	0.7%
Q1	100.0%	9.4%	10.3%	17.5%	4.7%	0.0%	0.2%	32.4%	0.6%	0.1%	2.5%	1.1%	0.0%	21.1%
Q2	100.0%	10.6%	17.2%	10.1%	9.0%	0.0%	2.7%	30.4%	1.2%	0.1%	3.4%	1.7%	0.0%	13.8%
Q3	100.0%	14.8%	10.2%	14.7%	9.6%	0.0%	-2.1%	28.7%	0.1%	0.1%	2.1%	2.5%	0.1%	19.1%
2011 Q4	100.0%	12.0%	12.6%	21.5%	0.3%	0.0%	0.1%	39.8%	0.0%	0.0%	0.0%	0.0%	0.0%	14.0%
Q1	100.0%	17.5%	6.3%	30.5%	0.0%	0.1%	0.0%	24.4%	0.7%	0.1%	0.5%	1.6%	0.4%	17.8%
2012 Q2	100.0%	0.0%	8.3%	43.2%	9.2%	0.0%	0.0%	28.7%	1.0%	0.0%	4.5%	3.5%	0.5%	1.1%
Q3	100.0%	10.8%	18.8%	27.8%	10.8%	3.8%	0.0%	21.3%	0.0%	0.1%	4.1%	0.6%	0.2%	1.6%
2012 Q4	100.0%	13.3%	15.0%	25.4%	11.7%	1.5%	18.3%	8.7%	0.0%	0.1%	5.3%	0.8%	0.2%	0.0%

13. Direct investments – main countries

(Non-cummulative data, in m illions of euro)

Description	Total	of which:									
		Slovenia	Germany	Austria	Switzerland	Grat Britain	turkey	Holand	Albania	USA	France
2007	440.7	35.4	48.1	56.2	116.2	9.7	5.4	41.2	3.4	8.8	8.6
2008	366.5	51.3	44.0	44.3	36.6	32.1	23.8	22.5	21.9	4.8	3.5
2009	287.4	15.5	75.2	50.8	6.2	22.7	14.5	15.1	23.3	11.8	6.0
2010	365.8	21.1	91.5	34.0	38.9	35.1	4.9	14.5	20.3	12.6	3.8
2011	394.6	19.6	66.6	16.2	80.1	30.9	34.7	14.2	11.2	14.3	0.2
Q1	69.5	4.1	11.6	18.8	1.9	8.4	1.7	0.3	3.5	3.7	1.1
Q2	47.5	5.6	9.9	2.1	-23.3	6.1	1.1	0.9	9.4	5.6	0.8
Q3	118.2	7.0	14.3	10.3	34.0	14.0	1.2	7.8	5.0	1.2	1.1
2010 Q4	130.6	4.4	55.8	2.8	26.2	6.6	0.8	5.5	2.4	2.1	0.8
Q1	83.4	1.6	21.5	6.3	20.3	7.1	8.5	0.2	2.2	3.3	0.7
Q2	102.0	7.4	10.8	2.8	-	7.8	12.6	15.8	1.4	3.0	-
Q3	111.3	8.9	25.2	5.2	30.2	5.8	16.4	-7.9	2.1	7.4	0.8
2011 Q4	97.8	1.7	9.1	1.9	29.6	10.2	-2.8	6.1	5.5	0.6	-1.3
Q1	56.3	2.4	11.7	2.3	11.1	5.8	4.9	-0.1	0.8	2.6	0.3
Q2	29.9	3.0	8.1	-10.8	9.0	4.8	16.9	-6.3	-5.0	3.1	1.8
Q3	92.3	5.3	21.3	5.6	9.9	14.5	19.5	-7.1	5.8	2.3	2.2
2012 Q4	50.2	-1.5	8.4	3.2	13.8	-10.8	24.2	-12.5	3.1	2.7	1.9

14. Exports by trading partners – main partners

(Cummulative, within the calendar year, in milliosn of euro)

Description	Total exports	Europe	European union	EU 15	EU 10	EU 2	CEFTA	Other european countries	Non-european countries
2001 December	10.6	...	...	...	...	...	...	...	...
2002 December	27.6	...	...	...	...	...	...	...	...
2003 December	35.6	35.1	14.9	13.7	1.0	0.2	18.2	2.0	0.5
2004 December	56.6	55.5	16.6	15.0	1.2	0.4	23.5	15.4	1.0
2005 December	56.3	54.2	21.8	19.2	1.5	1.2	29.9	2.6	2.0
2006 December	110.8	109.4	42.3	23.4	5.2	13.7	51.7	15.4	1.3
2007 December	165.1	156.8	69.3	53.1	5.1	11.1	65.1	22.4	8.3
2008 December	198.5	171.1	94.0	80.8	10.5	2.7	61.5	15.6	27.3
November	149.0	130.4	64.3	57.6	4.0	2.6	48.4	17.7	18.6
2009 December	165.3	144.2	71.3	64.0	4.3	2.9	53.5	19.5	21.1
January	15.8	12.1	7.9	6.9	0.3	0.7	3.6	0.7	3.6
February	31.4	26.2	17.0	15.3	0.7	1.1	7.5	1.6	5.2
March	52.6	45.7	29.7	26.3	1.5	1.9	13.1	2.9	6.8
April	78.0	65.7	41.0	36.3	2.4	2.4	18.8	5.9	12.3
May	111.0	92.2	55.8	50.4	2.6	2.8	25.1	11.3	18.8
June	141.7	117.0	68.7	62.1	3.3	3.2	34.0	14.4	24.7
July	162.9	133.1	78.0	70.1	3.9	4.1	39.1	15.9	29.9
August	189.2	150.5	85.8	76.6	4.4	4.9	45.8	18.8	38.7
September	214.3	169.9	95.2	84.2	5.3	5.7	53.5	21.1	44.5
October	242.7	190.6	106.2	93.9	6.1	6.2	59.6	24.8	52.1
November	268.7	212.4	120.2	107.0	6.7	6.5	64.9	27.4	56.2
2010 December	294.0	233.4	131.5	116.8	7.7	7.1	70.9	31.0	60.6
January	22.9	18.9	12.6	11.5	0.9	0.1	5.5	0.8	4.0
February	48.5	42.6	29.3	26.5	2.1	0.8	11.2	2.0	5.9
March	74.8	64.7	43.7	39.4	3.5	0.9	18.0	3.0	10.1
April	104.1	89.6	56.8	51.0	4.9	1.0	24.9	7.9	14.5
May	133.4	109.9	67.3	60.3	5.8	1.2	31.6	11.1	23.4
June	164.2	135.4	77.5	69.6	6.6	1.3	38.2	19.7	28.8
July	193.5	160.2	86.6	77.3	7.7	1.5	48.1	25.5	33.4
August	217.3	177.6	93.7	83.8	8.1	1.8	56.3	27.6	39.6
2011 September	241.6	196.6	104.3	93.9	8.5	1.9	63.3	29.0	45.0

15. Imports by trading partners – main partners

(Cummulative within the calendar year, in millions of euro)

Description	Total imports	Europe							Non-european countries
			European union (EU)				CEFTA	Other European countries	
				EU 15	EU 10	EU 2			
2001 December	684.5								
2002 December	854.8								
2003 December	973.1	842.2	276.2	174.0	68.5	33.7	443.6	122.4	130.9
2004 December	1,063.3	947.1	424.7	284.0	93.4	47.3	368.7	153.6	116.2
2005 December	1,157.5	1,017.5	439.7	296.3	98.5	44.9	440.4	137.5	139.9
2006 December	1,305.9	1,153.6	454.3	286.5	104.9	62.9	536.3	163.0	152.3
2007 December	1,576.2	1,350.4	572.9	382.7	118.0	72.3	579.6	197.9	225.8
2008 December	1,928.2	1,654.8	702.0	490.4	150.9	60.6	717.8	235.0	273.4
November	1,738.7	1,493.4	676.5	501.8	125.9	48.8	625.7	191.2	245.3
2009 December	1,935.5	1,659.2	755.0	559.8	141.3	54.0	692.5	211.7	276.3
January	103.4	84.6	32.3	22.8	6.6	2.9	38.6	13.8	18.8
February	230.7	191.1	82.5	59.5	17.6	5.4	78.5	30.1	39.6
March	390.0	331.1	148.2	109.3	29.5	9.4	136.5	46.5	58.9
April	570.2	491.6	222.8	164.6	45.5	12.7	204.3	64.5	78.7
May	750.8	649.4	295.2	219.3	59.1	16.8	270.4	83.7	101.5
June	938.7	805.1	363.7	270.1	73.2	20.5	341.1	100.3	133.6
July	1,154.7	995.8	453.4	335.0	88.7	29.7	420.3	122.1	159.0
August	1,361.7	1,173.9	527.2	388.4	104.8	34.1	506.4	140.3	187.8
September	1,553.1	1,339.3	597.9	439.3	119.9	38.6	586.3	155.2	213.7
October	1,749.2	1,508.5	674.7	496.9	134.6	43.2	657.9	175.9	240.7
November	1,936.1	1,668.0	742.4	546.4	148.4	47.5	730.4	195.2	268.1
2010 December	2,144.9	1,839.8	821.3	604.6	164.3	52.3	799.0	219.5	305.1
January	132.7	110.7	44.1	32.0	9.0	3.2	49.1	17.5	22.0
February	281.8	232.6	100.0	73.4	19.1	7.5	97.6	35.0	49.2
March	472.3	389.9	168.3	123.8	31.1	13.3	171.3	50.3	82.4
April	668.2	557.7	237.3	174.2	43.3	19.8	247.2	73.2	110.5
May	880.6	740.8	312.8	230.7	56.3	25.8	330.3	97.8	139.8
June	1,093.5	922.2	389.9	288.7	70.7	30.5	415.4	117.0	171.3
July	1,315.6	1,107.5	477.7	356.3	85.3	36.1	494.5	135.3	208.1
August	1,544.8	1,302.5	570.8	423.8	101.9	45.1	574.6	157.1	242.3
2011 September	1,760.5	1,486.2	657.1	488.2	117.3	51.7	652.5	176.5	274.3

16. Imports by trading partners and broad economic categoris

(Cummulative within the calendar year, in millions of euro)

Description	Total	As of September 2011											
		I. Live animals and animal products	II. Vegetabke products	III. Animal or veg. fats and oil - edib.	IV. Prepared foodstuffs, bever. and tob.	V. Mineral products	VI. Products of the chem. Or allied industry	VII. Plastics, rubber an darticles thereof	XIII. Artic. Of stoneplastic, ceramic, glass	XVI. Machinery, appliances, electrical, etc.	XIX. Weapons and munition	XX. Artikujt e përzier	XXI. Art works
Total	1,760.5	70.6	101.7	16.5	214.3	379.1	123.2	100.2	62.3	67.2	178.4	109.6	18.3
Europe	1,486.2	39.8	82.2	16.1	195.2	347.0	114.6	81.0	40.5	55.5	135.6	99.7	11.6
European Union (EU)	657.1	30.8	31.1	5.2	86.8	84.1	62.6	44.7	9.6	24.9	83.0	95.6	10.2
BE 15, of which:	488.2	12.9	21.0	1.2	51.9	81.7	40.9	34.9	7.5	18.7	62.6	92.1	7.2
Austria	25.8	1.0	2.0	0.0	9.4	0.5	4.0	1.7	0.1	0.2	2.0	0.2	0.2
France	22.6	0.1	4.8	0.0	0.8	0.1	3.0	1.1	0.1	0.2	2.9	8.3	0.3
Germany	204.6	6.9	0.3	0.1	25.3	4.3	11.7	22.1	1.3	1.5	33.4	71.6	4.3
Greece	75.6	0.1	4.9	0.2	4.4	42.1	7.3	5.0	0.7	1.7	2.1	0.0	0.5
Italy	103.8	1.1	4.1	0.5	6.2	34.0	8.3	2.8	1.5	8.4	13.9	5.3	0.8
Holand	13.9	2.5	4.0	0.4	2.1	0.3	0.9	0.5	0.7	0.1	1.1	0.2	0.4
Spain	13.1	0.1	0.7	0.0	0.1	0.0	0.8	0.3	1.6	6.1	1.3	1.1	0.1
Sweeden	5.1	0.0	0.0	0.0	0.0	0.0	0.2	0.5	0.0	0.0	1.8	1.8	0.1
United Kingdom	12.7	0.1	0.0	0.0	3.2	0.0	2.1	0.2	0.1	0.1	2.4	3.3	0.2
BE 10, of which:	117.3	17.3	1.7	0.5	20.2	0.9	17.6	6.9	0.6	2.6	16.3	3.1	2.9
Check Republic	15.1	0.9	0.0	0.0	0.2	0.6	2.6	0.8	0.0	0.5	2.2	2.1	0.0
Poland	21.9	1.6	0.1	0.1	5.8	0.0	1.8	1.1	0.1	0.6	2.6	0.2	0.0
Hungary	23.3	6.7	1.0	0.3	3.0	0.0	1.6	2.4	0.2	0.8	4.4	0.1	0.4
Sllovenia	51.4	8.1	0.5	0.1	9.9	0.2	10.8	2.3	0.3	0.5	6.3	0.2	2.3
BE 2	51.7	0.6	8.5	3.5	14.8	1.5	4.2	2.9	1.5	3.5	4.1	0.3	0.1
Bullgaria	37.0	0.6	8.3	3.5	8.4	0.8	1.4	2.0	1.3	3.0	2.8	0.2	0.1
Rumania	14.7	0.0	0.2	0.0	6.4	0.6	2.7	0.9	0.1	0.6	1.3	0.1	0.0
Other European countries	176.5	0.4	8.4	0.6	20.1	22.0	13.9	12.0	27.9	4.8	22.4	2.9	1.3
of which:													
Turkey	129.9	0.4	6.1	0.6	19.7	2.9	8.2	9.5	25.7	4.5	16.9	2.4	0.5
Switzerland	20.1	0.0	0.3	0.0	0.2	4.4	3.1	1.8	0.7	0.1	4.9	0.5	0.8
CEFTA	652.5	8.6	42.7	10.3	88.3	240.9	38.0	24.3	3.0	25.9	30.2	1.2	0.1
Albania	66.9	1.0	4.5	0.8	1.3	16.5	0.4	0.4	0.0	1.4	0.6	0.0	0.0
Bosnia and Herzeg.	61.1	2.5	0.8	1.0	7.5	13.9	3.0	0.4	0.1	0.2	1.1	0.0	0.0
Croatia	45.4	1.0	1.9	0.5	8.5	8.3	6.2	2.0	0.1	2.4	9.1	0.3	0.1
Montenegro	8.2	0.0	0.1	0.0	1.9	0.4	0.0	0.2	0.0	0.0	0.3	0.0	0.0
Macedonia	279.4	1.9	9.6	1.2	24.4	177.1	12.0	10.8	1.0	4.5	8.0	0.0	0.0
Moldavia	0.3	0.0	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Serbia	190.7	2.2	25.7	6.8	44.7	24.6	16.4	10.5	1.7	17.5	10.8	0.7	0.0
Other Non European countries	274.3	30.8	19.4	0.4	19.1	32.2	8.6	19.2	21.8	11.7	42.8	10.0	6.7
of which:													
USA	26.5	12.2	0.2	0.0	0.3	0.0	2.9	0.6	0.1	0.0	3.5	1.6	2.4
China	119.9	0.0	1.2	0.0	1.1	0.1	3.0	11.5	15.3	10.3	29.3	2.0	2.4
Brasil	28.3	15.2	2.5	0.0	9.8	0.0	0.3	0.0	0.0	0.0	0.2	0.0	0.0
Japan	9.0	0.0	0.0	0.0	0.0	0.0	0.5	0.4	0.0	0.0	3.3	3.9	0.7
Other	90.7	3.4	15.5	0.4	7.8	32.1	1.8	6.8	6.3	1.3	6.6	2.5	1.1

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